Annual Report 99

Biotest AG

Contents

1999 at a Glance

Group	1999 DM mill.	1998 DM mill.	Change %
Sales	**412.6**	396.0	4.2
of which: domestic	**154.1**	159.1	– 3.1
foreign	**258.5**	236.9	9.1
of which: Pharmaceutical division	**273.0**	259.3	5.3
Diagnostic division	**120.8**	118.3	2.1
Medical Devices division	**18.8**	18.4	2.2
Profit before tax	**8.6**	12.2	– 29.5
Profit before tax as % of sales	**2.1 %**	3.1 %	
Net profit	**3.3**	1.9	73.7
Net profit as % of sales	**0.8**	0.5 %	
EBIT	**14.4**	18.4	– 21.7
EBITDA	**38.2**	39.4	– 3.0
Expense			
– Personnel	**116.5**	117.6	– 0.9
– Cost of materials	**159.0**	137.9	15.3
– Research and development	**34.0**	35.7	– 4.8
– Research and development as % of sales	**8.2 %**	9.0 %	
Capital expenditure:			
– Property. plant and equipment and intangible assets	**28.6**	32.5	– 12.0
of which leasing	**9.6**		
– Financial assets	**0.4**	0.8	– 50.0
Financing			
– Gross cash flow	**28.3**	24.6	15.0
– Depreciation and amortisation	**23.8**	21.0	13.3
Shareholders' equity	**230.8**	230.6	0.1
Shareholders' equity as % of total assets	**46.3 %**	46.7 %	
Total assets	**498.1**	493.3	1.0
Number of employees on December 31	**1,169**	1,161	0.7
DVFA/SG earnings (Group) in DM per share	**0.4**	0.5	– 20.0

Executive Director's Introduction

We managed to exceed our sales and result forecasts in the 1999 financial year, which proves that we have taken the right measures to strengthen our company's profitability.

In 1999, important landmark decisions for the future of the Biotest Group were made in the context of the strategic realignment process. Firstly, we continued to focus the activities of the three divisions Diagnostic, Pharmaceutical and Medical Devices on the core competencies of transfusion/blood coagulation, transplantation, infection/hygiene and immune diseases. Secondly, extensive process improvements were introduced, in particular in the area of plasma products, which already lead to first cost savings effects and improvements in the result of Biotest Pharma GmbH in 1999. The Group's net profit of DM 3.3 million is distinctly above the previous year's figure. A cost savings programme also had favourable effects on revenues. Such positive process optimisation effects will intensify during 2000 and the following years.

Even though German markets were strongly affected by the German health care reform, sales developed well, up by 4.2 % from the previous year. The reform had an immediate impact on the Diagnostic division. Following July 1, 1999, the effective date of the new fees regulations for laboratory examinations, the volume of tests in this sector fell sharply by up to 50 % in the second half of the year, concurrent with strong pressure on test prices. The reform package also hit the sensitive sphere of infectious diseases subject to reporting requirements, such as tuberculosis and salmonellosis. This restrictive compensation policy already resulted in a supply shortage of diagnostic devices. The average level of sales decreased by 20 %, exposing a number of German companies specialising mainly in the laboratory business to serious difficulties. Meanwhile, responsible bodies have already initiated reworks of the laboratory reform to counter these dramatic developments, the effects of which, however, remain to be seen. Anyhow, Biotest AG's Diagnostic division depends on the laboratory business only to a limited extent and, on the whole, we were able to offset these trends in other markets thanks to our internationalisation strategy.

The decision to further expand investments in plasma products at the Dreieich location by means of a new plasma fractionation facility is of particular importance to the company. It not only creates more internal capacity and thus generates more marketable products, but also secures an immediate, quick and independent implementation of process improvements as well as new generations of products. The volume of capital expenditure for the two large-scale projects in the Pharmaceutical division – namely sterile fill and plasma fractionation – totals approximately DM 60 million and reasonably supplements the co-operation network with different plasma processing partners.

We carefully observe further consolidation and concentration processes in the industry. The market development confirms our future strategy to focus on core competencies and to constantly implement specialisation in these areas on an international level. Our excellent position in a plasma market with above-average growth rates, driven by immunoglobulins, our concept of automating diagnostic investigation combined with biotechnical test methods as well as new, own products in medical technology form the basis for higher-than-average growth and a further improvement of the result over the next years.

Our human workforce is of utmost importance for implementing these plans and achieving our objectives. We rely on our competent and dedicated employees to which we would like to express our sincere appreciation for their commitment and work in 1999.

In order to illustrate our extensive range of activities and the variety of products in the fields of competence within our three divisions, we have enclosed a brochure in the Annual Report. This should contribute to a better understanding of our achievements in the medical area and products and services offered. Furthermore, we joined the German SMAX stock exchange segment for small and medium-sized companies immediately at the beginning of 1999 to underpin our intent to accommodate investors with higher transparency and information. Since then, we have published detailed quarterly reports on the course of our business and have provided investors with further information on our activities. We moreover applied segment reporting in this Annual Report for the first time, a further measure to increase transparency with respect to our divisions.

I hope that the Annual Report for the 1999 financial year will find your interest.

Dr. Dieter Merz
Chairman of the Board of Managing Directors

Management Report
Biotest Group

Biotest stands for medicine made by man for man. With medical products and preparations dealing with human blood, the human being is at the heart of our activities: be it as blood donor, doctor or patient. The different needs of these groups of people lead to a concentration on four areas of competence within our divisions: transfusion and transplantation medicine, antibody deficiency/ autoimmune disease and infections/hygiene.

Overview

Biotest is active in three divisions with clearly divergent national and international developments. The Pharmaceutical division is active in the market for products based on human protein. This market segment reports annual growth rates of more than 10 % in international markets, due to immunoglobulins.

The Diagnostic division is expected to find a stagnating environment in the highly developed industrial countries. Biotest will respond with new innovative products, cost-effective automation systems and the tapping of new markets.

In international markets, the Medical Devices division is Biotest's fastest growing division. The introduction of new innovative products as well as internationalisation are of utmost importance to this division.

4.2 % rise in sales

Despite the difficult environment, Biotest Group was able to report sales of DM 412.6 million – an increase of 4.2 % from DM 396.0 million in the previous year.

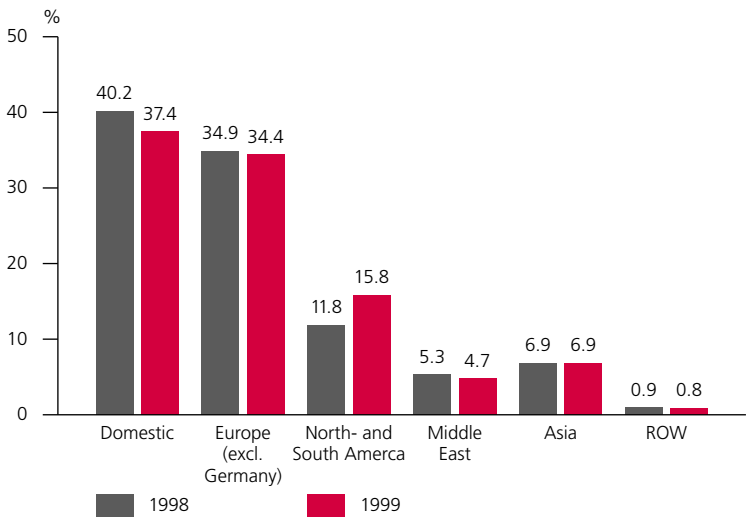
In the 1999 reporting period, sales growth in the Pharmaceutical division again outperformed the Diagnostic and Medical Devices divisions.

The diagnostics company Viro-Immun Labor-Diagnostika GmbH, Oberursel, in which we acquired an interest of 51.2 % in June 1999 contributed DM 3.1 million to Group sales.

Consolidated sales abroad increased by 9 % to DM 258.5 million (1998: 236.9 million). In Germany, the difficult political environment and cost-cutting measures in the health care sector were felt by Biotest as well as all other companies in the industry. However, Biotest suffered sales setbacks of not more than 3.1 % to DM 154.1 million.

In the 1999 financial year, we included the newly established Medical Devices division as the third division in our Annual Report for the first time. This division should contribute considerably to growth in the future. The divisions' 1998 figures were adjusted to the new structure correspondingly.

External sales per region in %



Consolidated net profit DM 3.3 million

Consolidated net profit rose to DM 3.3 million compared to DM 1.9 million in the previous year.

In the 1999 result, we were able to realise first effects from the announced measures for a sustained improvement over the medium term. Measures implemented by several Group companies to further improve the result and respective projects will lead to a continued rise in the result in the current financial year.

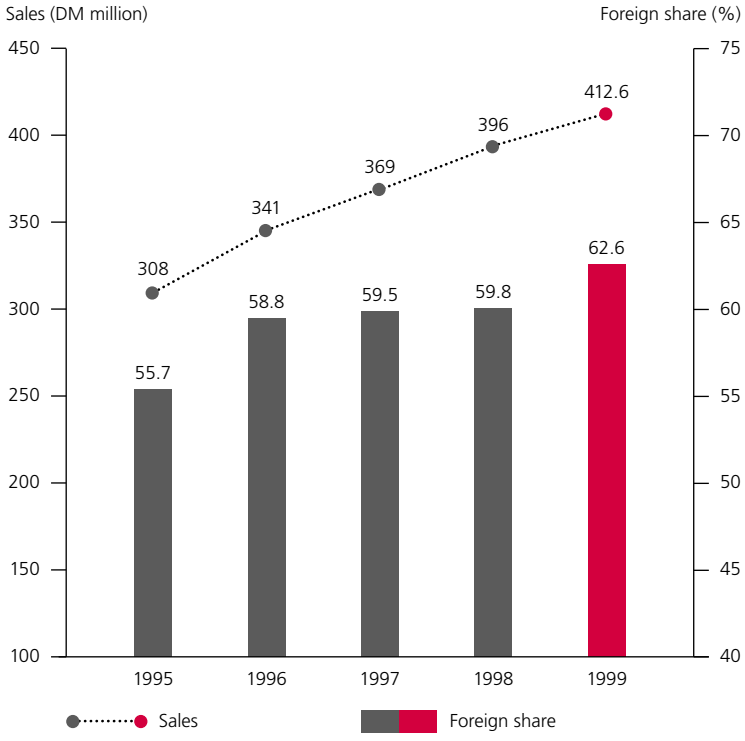
Dividends: EUR 0.26 per preference share and EUR 0.20 per ordinary share

Following the conversion of Biotest AG's shareholders' equity to euro (currently EUR 20.480 million, from DM 40.0 million) in accordance with the resolution of the 1999 General Meeting of Shareholders, dividends will also be proposed and declared in euro for the first time.

The Supervisory Board and the Board of Managing Directors propose to distribute dividends in the amount of EUR 1.84 million or approximately DM 3.6 million (similar to the previous year) from the distributable profit of DM 3.9 million (EUR 1.99 million). This corresponds to EUR 0.26 (approximately DM 0.50) per preference share and EUR 0.20 (approximately DM 0.40) per ordinary share.

For shareholders subject to German income or corporation tax, the dividend is increased by the tax credit of EUR 0.11 per preference share or EUR 0.09 per ordinary share.

Sales trend and foreign share



Business Development and Income Situation

Sales by division developed as follows:

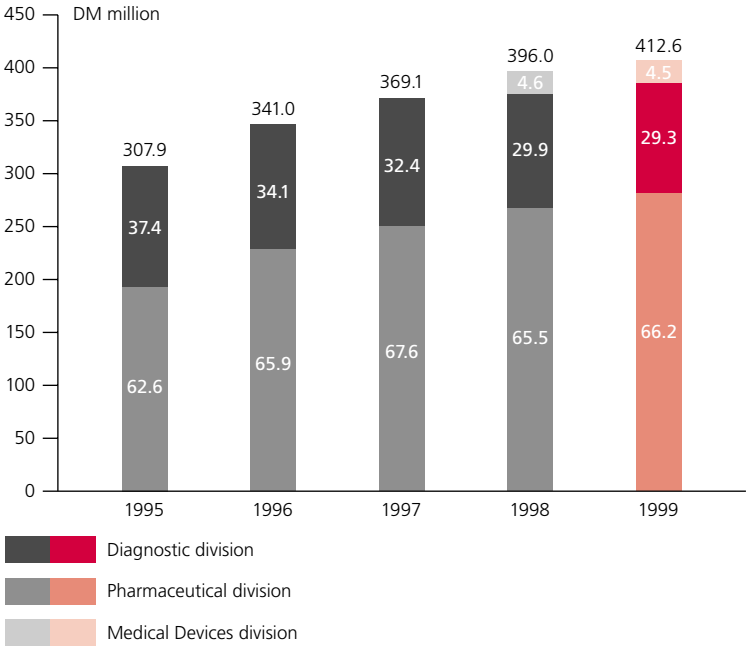
Division	**1999 DM million**	1998 DM million	Change %
Pharmaceutical	**273.0**	259.3	+ 5.3 %
Diagnostic	**120.8**	118.3	+ 2.1 %
Medical Devices	**18.8**	18.4	+ 2.2 %
Total	**412.6**	396.0	+ 4.2 %

We were able to distinctly increase foreign sales in the Pharmaceutical division by DM 18.4 million (up by 12.0 %) to DM 172.5 million.

Despite the negative general market trend, which resulted from the reduction of expenses in the laboratory sector imposed by the new German government, we were able to keep sales in the Diagnostic division on the previous year's level.

In the Medical Devices division, several product developments were concluded in 1999 and some more were expedited which should lead to a clear sales growth in 2000.

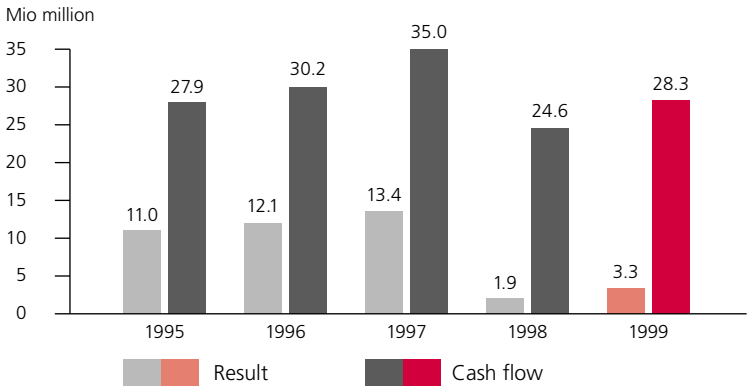
Group sales by division in DM million (%)



The foreign share of Group sales thus once more rose to currently 62.6 % (1998: 59.8 %). Our foreign subsidiaries reported sales of DM 110.4 million, an increase of 3.3 %.

The chart with the regional sales breakdown on page 8 reflects the rise in the foreign share of sales and above-average growth in South America.

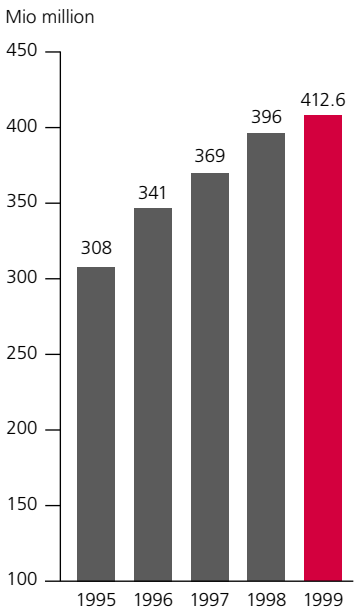
Result/Cash flow



The Group's earnings situation developed as follows

Group	1999 DM million	%	1998 DM million	%
Sales	**412.6**		396.0	
Total output	**410.6**	100.0	387.6	100.0
Cost of materials and services purchased	**159.0**	38.7	137.9	35.6
Gross profit	**251.6**	61.3	249.7	64.4
Other operating income	**11.3**	2.8	13.3	3.4
Personnel costs	**116.5**	28.4	117.6	30.3
Depreciation and amortisation	**23.8**	5.8	21.0	5.4
Other expense	**108.2**	26.4	106.0	27.3
EBIT	**14.4**	3.5	18.4	4.8
Financial result	**– 5.8**	– 1.4	– 6.3	– 1.6
Result from ordinary activities	**8.6**	2.1	12.1	3.1
Net profit	**3.3**	0.8	1.9	0.5
EBITDA	**38.2**	9.3	39.4	10.2

Sales



In the 1999 financial year, total output amounted to DM 410.6, up by 5.9 % or DM 23.0 million from the previous year. In 1998, this figure was lower for a good reason: it was influenced by measures to reduce inventory. In 1999, however, total output rose distinctly which was in part due to a replenishment of inventories (after the reduction of inventories in 1998), reflected in higher costs of materials. Taking into account the effects from the changes in inventories in both years, the materials ratio improved as a first result of the rebound in yields. We expect further progress for the future.

This, however, is not mirrored in the gross yield which only rose by 0.8 % to DM 251.6 million. The pharmaceutical business played a decisive role in this development. While domestic sales with a relatively high profit contribution remained below the previous year's level, foreign sales expanded distinctly but at lower average prices obtained.

Other operating income in the 1998 financial year included revenues unrelated to the accounting period of DM 2.2 million.

At DM 116.5 million, personnel costs remained DM 1.1 million below the previous year's level. Despite the fact that 26 employees of Viro-Immun were added to the total number of employees within the Group, the average number of employees increased only slightly by eight employees to 1,169.

Higher depreciation and amortisation is due to special amortisation on intangible assets. Depreciation on property, plant and equipment rose by approximately DM 0.3 million to DM 18.8 million.

Other operating expense as a percentage of total output was down from the previous year. Cost cutting measures also had an impact here.

The result from ordinary activities decreased to DM 8.6 million after DM 12.1 million in 1998.

The tax ratio improved from 84.3 % to 61.6 %. However, it was still not possible to utilise accumulated losses at Biotest Pharma GmbH and Astrapin Pharma GmbH & Co. KG for tax purposes. This will only be the case when Biotest Pharma GmbH starts to generate a positive result, which we expect to happen as of 2000.

Consequently, tax loss carryforwards will be utilised to a greater extent in the year 2000 and thereafter.

Consolidated net profit thus totalled DM 3.3 million after DM 1.9 million in the previous year. Return on sales amounted to 0.8 % after 0.5 % in 1998. We expect to be able to distinctly raise net profits in the future thanks to the different measures that were implemented.

Cash flow rose from DM 24.6 million to DM 28.3 million due to higher depreciation and amortisation and a higher consolidated net profit.

Statement of Assets and Financial Position

Consolidated balance sheet total rose by 1.0 % to DM 498.1 million from DM 493.3 million in the previous year – despite the first-time consolidation of Viro-Immun Labor-Diagnostika GmbH in which a 51.2 %-stake was acquired in June 1999. In 1999, we took further measures to limit the expansion of the consolidated balance sheet total.

Total fixed assets decreased by DM 6.2 million. Capital expenditure of DM 19.5 million was offset by depreciation and amortisation to the tune of DM 23.8 million.

Capital expenditure of DM 9.6 million attributable to Biotest Pharma GmbH's two large-scale projects – new final fill line and new fractionation facility – to the total value of DM 60 million was financed by means of movables leasing contracts.

Inventories rose by 5.6 % or DM 9.1 million from DM 162.8 million in the previous year to DM 171.9 million. At Biotest Pharma, inventories grew by DM 4.8 million due to stockpiling of raw materials that are particularly difficult to procure. Inventories of Viro-Immun Labor-Diagnostika GmbH amount to almost DM 2 million. Another important reason for the DM 2.8 million rise in Biotest AG' inventories was the building up of stocks in the context of the scheduled market launch of the fully automated blood group device Tango by the Diagnostic division.

As at December 31, 1999 accounts receivable and other assets contain DM 11.1 million (including value added tax) purchases of materials and services which Biotest Pharma GmbH records vis-à-vis the leasing company and which arose from differences relating to the reporting dates.

Additional increases were a consequence of larger sales volumes abroad and high sales over the last months of the reporting period.

In detail, changes in the Group's financial position were as follows:

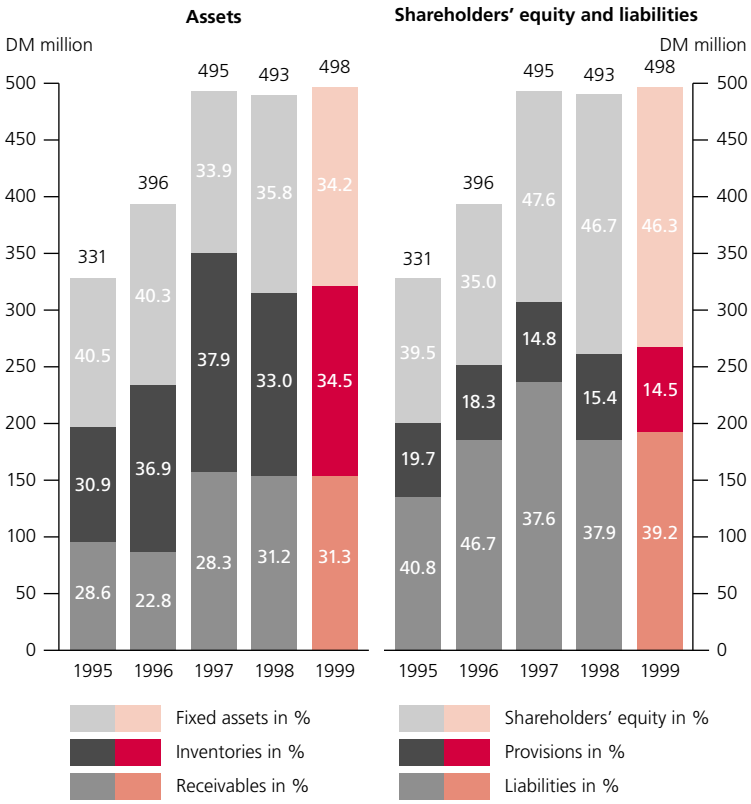
	1999		1998	
Assets	**DM million**	%	DM million	%
Fixed assets	**170.4**	34.2	176.6	35.8
– Inventories	**171.9**	34.5	162.8	33.0
– Receivables and prepaid expenses	**123.1**	24.7	101.6	20.6
– Securities and liquid funds	**32.7**	6.6	52.3	10.6
Current assets	**327.7**	65.8	316.7	64.2
Balance sheet total	**498.1**	100.0	493.3	100.0
Shareholders' equity and liabilities				
Shareholders' equity	**230.8**	46.3	230.6	46.7
Special items with partial reserve character	**0.1**	–	0.1	–
– Provisions for pensions	**49.0**	9.8	47.7	9.7
– Other provisions	**23.2**	4.7	28.0	5.7
Total provisions	**72.2**	14.5	75.7	15.4
– Liabilities due to banks	**124.7**	25.0	119.1	24.2
– Other liabilities	**70.4**	14.2	67.8	13.7
Total liabilities	**195.1**	39.2	186.9	37.9
Balance sheet total	**498.1**	100.0	493.3	100.0

At DM 230.8 million, the equity ratio amounted to 46.4 %, compared to 46.7 % as at the previous year's balance sheet date. Thus, 100 % of fixed assets and approximately 35 % of inventories are covered by shareholders' equity.

Provisions for income taxes declined by approximately DM 4.4 million. Other provisions and accruals remained on the previous year's level.

In line with the settlement of accounts receivable in the leasing business, liabilities due to banks will decline in 2000.

Group balance sheet structure (in DM million)



Capital Expenditure Depreciation and Amortisation Cash Flow

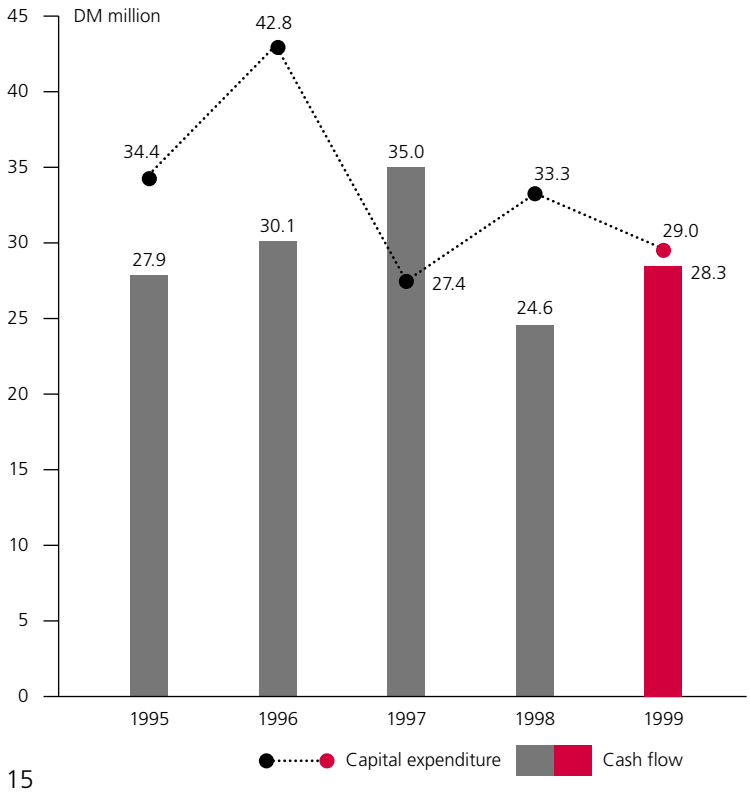
Group capital expenditure of DM 29.0 million

Asset additions amounted to DM 19.5 million in 1999. DM 15.8 million thereof were attributable to property, plant and equipment, half of which in turn was accounted for by payments in advance and tangible assets in course of construction. DM 3.2 million were attributable to intangible assets and DM 0.4 million to financial assets. Moreover, payments in advance for the two large-scale projects of Biotest Pharma GmbH – the new final fill line and the new fractionation facility – amounted to DM 9.6 million. As we intend to finance these two projects through a leasing model, they are not included in asset additions. Overall capital expenditure thus amounted to DM 29.0 million after DM 33.3 million in 1998.

The high amount of advance payments is due to several construction projects planned or started in 1999, the first of which should be completed in 2000. This applies to projects at Biotest Pharma GmbH, Biotest Grundstücksverwaltungsgesellschaft GmbH, Envitec-Wismar GmbH and Heipha Dr. Müller GmbH in Heidelberg. There is an urgent need for these measures in order to meet the expected expansion in business and they entail a volume of capital expenditure totalling approximately DM 80 million (including leasing) in the period from 1999 to 2001. Further extensive additions in 1999 were additional fill lines for therapeutic and microbiological products and investments in the set-up of production units at subsidiaries.

Depreciation and amortisation amounted to DM 23.8 million compared with DM 21.0 million in 1998. They include special amortisation on intangible assets of DM 2.3 million. We were able to cover the total amount of capital expenditure by a cash flow of DM 28.3 million.

Capital expenditure / Cash flow operations excluding changes in working capital (in DM million)



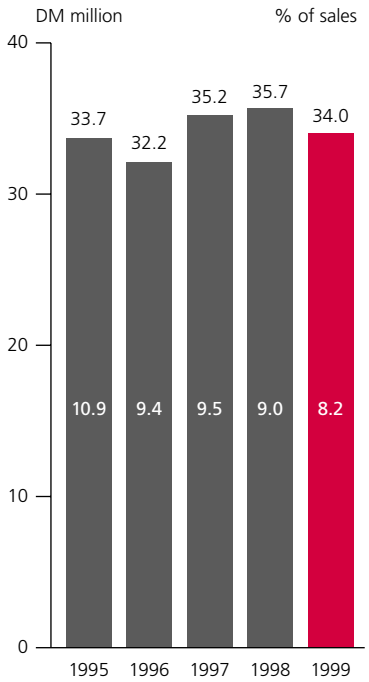
Research and Development

In the reporting period, DM 34.0 million or 8.2 % of sales were spent on research and development (1998: DM 35.7 million or 9.0 % of sales). The level of expenses in the Pharmaceutical division declined due to the division's focus on core competencies, whereas in the Diagnostic division this level rose due to numerous new developments.

Research and development in the Pharmaceutical division concentrated on the following four large areas of indication: transfusion/blood coagulation, transplantation, infectology/sepsis and autoimmune diseases. The biggest project of this division is a new filtration procedure (filtre aid procedure – FH) aiming at a distinct improvement in yields.

In the areas of transfusion/blood coagulation, we are working at developing new, gentle virus inactivation procedures, expanding the range of products for hemostatic disorders and implementing new applications that are friendlier to patients.

Research and development expense in DM million



In transplantation, we are concentrating on enhancing existing preparations. We have continued the current development of the new immunoglobulin with high IgM contents for the infection/sepsis indication with our co-operation partner as scheduled. In the constantly growing area of treating autoimmune diseases, Biotest concentrates on the clinical documentation of new indications.

In the context of strategic re-orientation, the Diagnostic division with its research and development also concentrated on its transfusion/transplantation and infection/hygiene centres of competence. Against the backdrop of the rapidly changing environment in diagnostic investigation in particular, which is due to new technologies as well as market concentration among customers and competitors, it is our primary task to implement new technologies in biotechnology and automation quickly and in line with market requirements. Obviously, a focal point of our work in 1999 was the fully automated blood group device Tango. We furthermore completed DNA probes in the field of transplantation.

In the Medical Devices division, we were able to successfully launch a cuvette for haemoglobin measurement and the corresponding measuring instrument. We managed to continue the development of the MedCell project. In sensory products we were also able to systematically expedite the expansion of the product range.

Employees

Personnel development

On December 31, 1999, the number of employees within the Group totalled 1,169. The number of people employed in the Group thus rose by eight persons compared to the end of 1998. This figure includes 26 employees of Viro-Immun Labor-Dignostika GmbH which was consolidated for the first time in 1999. As at the end of 1999, 19 people less were employed at Biotest Pharma GmbH due to the company's realignment process.

The average figure of staff employed in the Group developed as follows:

	1999		1998	
Group	**Employees**	%	Employees	%
Distribution	**362**	31.0	366	31.5
Administration	**131**	11.2	130	11.2
Production	**508**	43.5	494	42.5
Research and development	**144**	12.3	147	12.7
	1,145	97.9	1,137	97.9
Training	**24**	2.1	24	2.1
Total	**1,169**	100.0	1,161	100.0

Personnel costs

We were able to reduce Group personnel costs from the previous year's level despite the first-time consolidation of Viro-Immun Labor-Diagnostika GmbH. At DM 116.5 million, it remained DM 1.1 million below the previous year. Additional personnel costs of DM 1.9 million resulted from a change in the scope of consolidated companies.

	1999	1998	Change
	DM million	DM million	%
Wages and salaries	**94.5**	95.6	– 1.0
Social security, pension costs	**22.0**	22.0	0
	116.5	117.6	– 1.0

Training and education

29 trainees were employed at Biotest as at December 31, 1999, five more than at the end of 1998. Our young staff is trained as chemists, industrial clerks and specialist clerks for office communication. In line with tradition, we were able to offer these young people employment after they had successfully passed their examinations.

In 1999, we continued to provide various internal and external training programmes. 467 employees participated in a total of 146 programmes.

Anniversaries

In 1999, 24 employees celebrated their 25th anniversary, and 24 their 10th anniversary. We would like to take this opportunity to again congratulate and thank all those celebrating their anniversaries for the long-standing and trusting co-operation.

Employee appreciation

The past financial year was everything but easy. Therefore, the Board of Managing Directors and the management express their sincere appreciation to all employees who accompanied Biotest in this difficult year. We also extend our thanks to those employees who retired in the past year.

We would like to thank the works councils and the employee-elected representatives on the Supervisory Board for their good and proactive co-operation.

We shall honour the memory of those employees and pensioners who passed away in 1999.

Segment Reporting

Pharmaceutical division

Sales in this division are nearly exclusively generated with human immunoglobulins and protein solutions.

Internationally, the market for human protein preparations records growth rates of up to 10 %. In Germany, a change in therapy methods and a decreasing number of transplantations prompted setbacks – which was one of the reasons for a systematic concentration of activities on foreign markets.

We constantly produce at full capacity and therefore decided to start an extensive, multi-year investment programme at the Dreieich location in 1999 in order to increase capacities and at the same time improve yields by means of state-of-the-art procedures.

Sales growth of 5.27 % to DM 273.0 million

In total, the Pharmaceutical division managed to increase sales from DM 259.3 million in 1998 by DM 13.6 million or 5.3 % to DM 273.0 million in the reporting period.

Sales in Germany and abroad developed as follows:

	1999 DM million	1998 DM million	Change %
Germany	**100.4**	105.2	– 4.5
Abroad	**172.6**	154.1	+ 12.0
Total	**273.0**	259.3	+ 5.3

While we were able to record increases in Germany for some of our products, other products suffered sales setbacks on the back of general market conditions. In international markets, we managed to strengthen our position, recording overall growth of 12 %. We were in particular content to be able to once again distinctly raise sales in the Americas from the previous year's levels, while the economic situation in Asia still affected the market – albeit to a lower extent than in 1998. Sales broken down by products display a considerable increase for Haemoctin® in particular. This product is meanwhile one of the most accredited plasma derived coagulation preparations with the least side effects.

At the end of 1999 and in the first quarter of 2000, first registrations were granted for our new chromatographic purified immunoglobulin preparations (CP products).

Earnings before interest and tax

In the Pharmaceutical division, earnings before interest and tax amounted to DM 8.3 million or 3.0 % of sales. In this context, Biotest Pharma GmbH's operating profit improved by DM 7.8 DM to DM 6.9 million. Substantial changes were a higher gross profit which was up by DM 4.0 million and cuttings in personnel costs of another DM 4.0 million. The division's operating profit was burdened to the tune of DM – 4.9 million by Astrapin Pharma GmbH & Co.

Revenues in the Asia business of the subsidiary Astrapin Pharma GmbH und Co. KG collapsed in 1999. Moreover, additional expenses arose for maintaining existing registrations or attaining new registrations. This led to further expenses and write-offs within the scope of risk provisioning.

Capital expenditure

Capital expenditure within this division amounted to DM 20.0 million. DM 10.4 thereof were accounted for by internally funded book additions and DM 9.6 million were attributable to afore-mentioned large-scale projects financed through leasing transactions. Of DM 10.4 million, DM 9.7 million were attributable to the Dreieich location.

Tied-up capital (property, plant and equipment, intangible assets, inventories and accounts receivable) attributable to the Pharmaceutical division amounted to DM 319.0 million. Depreciation and amortisation totalled DM 17.1 million in 1999. 75 % thereof were recorded at the Dreieich location.

Research and development

Research and development expenses of DM 23.0 million accounted for 8.4 % of sales.

In 1999, several large projects to optimise processes and thus increase yields for existing products were completed successfully. Due to relatively long throughput times in production, the effects of these projects will become more visible in the years 2000 and 2001.

Development work for readjusting production to new, up-to-date biotechnological procedures were continued with maximum commitment. According to the current schedule, they should be completed in 2001, when we will be able to file the results for registration.

In 1999, the first batches of our new, high-purity FIX preparation were manufactured for clinical testing, so that clinical studies may commence in the second quarter of 2000. Haemophilia B can be treated with this preparation which will expand and supplement Biotest Pharma's product range of blood coagulation preparations.

In line with our expectations, first registrations were granted for a total of four new immunoglobulins, so-called CP products, in the fourth quarter of 1999. We expect to receive the outstanding registrations in the first half of 2000.

According to the Biotest Pharma project supervision and planning system, all other research and development projects are within the scheduled time frames and cost budgets.

Employees

The number of employees in the Pharmaceutical division was reduced by 23 people from 589 to 566. 17 thereof were employed at Biotest Pharma GmbH and 6 at Astrapin.

Diagnostic division

The Diagnostic division is active in the fields of transfusion diagnostics, transplantation diagnostics, infectious disease diagnostics and hygiene monitoring.

With the purchase of Viro-Immun Labor-Diagnostika GmbH, we complemented our product range in infectious disease diagnostics.

The market for diagnostics is marked by an increasing concentration on both sides, suppliers as well as customers, which is not least due to cost pressure in the health care sector and growing statutory requirements and official directions. This poses severe burdens for companies in the diagnostics sector but also offers the opportunity to gain market shares and strengthen the market position for those who are flexible and quick in implementing such requirements.

Biotest pursues a strategy of new, efficient and low-cost automation concepts in transfusion diagnostics in particular, but also in transplantation and infectious disease diagnostics. The implementation of new technologies, such as DNA probes e.g. in transplantation diagnostics underpin our competitiveness and position in the market. We do our very best in all segments of the diagnostics business to offer as complete a product range as possible and to act as a partner for our customers.

The development of this division over the coming years will be characterised by a stronger trend towards entire systems of devices as well as by the expansion of our product range in cell and infectious disease diagnostics and hygiene monitoring.

Sales of DM 102.8 million

Sales within the division grew by 2.1 % to DM 120.8 in 1999 (1998: DM 118.3 million). Sales of Viro-Immun Labor-Diagnostika GmbH to the tune of DM 3.1 million are included in this amount.

	1999 DM million	1998 DM million	Change %
Germany	**46.8**	45.4	+ 3.1
Abroad	**74.0**	72.9	+ 1.6
Total	**120.8**	118.3	+ 2.1

The limitation of fee reimbursements in laboratory examinations took effect in mid-1999 and resulted in a sharp slump in the volume of tests as well as in sales of diagnostics companies operating in this segment. The reform also hit the area of diseases subject to reporting requirements, such as tuberculosis and salmonellosis. As such drastic consequences were not intended by the legislative bodies, reworks of the reform have already been initiated. These primarily relate to diseases subject to reporting requirements, but also to tissue typing for transplantations. Still, it remains to be seen in how far such improvements can contribute to a recovery in the diagnostics business. In addition to Biotest AG, our associated companies Heipha and Viro-Immun are affected by these reforms.

The foreign business is dependent on tender orders to a high degree. Such orders are not always contracted out on an annual basis.

Earnings before interest and tax

Earnings before interest and tax amounted to DM 6.0 million or 5.0 % of sales.

The restrictions imposed by the laboratory reform clearly had adverse effects on Biotest AG and the other German diagnostics companies. We have our own distribution companies in other European countries where an improved market transparency and the customers' changing purchase habits led to a deterioration in margins.

Capital expenditure

This division made investments to the tune of DM 7.1 million in the past business year. DM 4.8 million thereof were attributable to Biotest AG and DM 1.0 million to Heipha. In both companies, these investments primarily concerned fill facilities for microbiological products.

Construction works for Heipha Dr. Müller GmbH's new production building started at the end of February 2000.

Tied-up capital attributable to the Diagnostic division amounted to DM 103.0 million. Depreciation and amortisation for the 1999 financial year amounted to DM 6.0 million; DM 3.5 million thereof were attributable to the Dreieich location.

Research and development

DM 9.3 million were spent on research and development. This corresponds to 7.7 % of the division's sales. DM 8.5 million thereof were expended at the Dreieich plant location.

Main areas of research in the 1999 financial year focussed on:

Cell diagnosis in transfusion and transplantation medicine

1. TANGO
Development of the fully automated blood group device was expedited in 1999 and a first external test was initiated. Market launch is scheduled for the year 2000.

2. In the area of tissue typing in transplantation, we completed DNA probes for compatibility testing, and a concept for the automation of the ELPHA product range was elaborated and implemented in Germany.

Highlights in infectious disease diagnostics and hygiene monitoring in 1999 were:

1. HIV TETRA, which is now registered throughout Europe and holds a top position in aids testing among 17 competitors.

2. Development of a genetically engineered borreliosis immunoassay test was completed in 1999 and the test was launched in the second quarter of 2000. This agent is transmitted by ticks and causes the so-called lyme disease, which by now has become the second most frequent infectious disease in Germany.

3. We started the development of a system for detecting tuberculosis which is capable of being automated. It represents a focal point for automation in bacteriological diagnostics.

4. In the field of hygiene monitoring, we commenced developing a new collector of airborne micro-organisms in particular for isolator clean-room technology which is gaining more and more in the pharmaceutical industry. Scheduled completion is in 2000. Moreover, development of a new, efficient particle counter for clean-room technology in the pharmaceutical and semiconductor industry was largely finished, so that market launch for this product may be accomplished in 2000.

We have furthermore expanded the range of products for food hygiene.

In 2000, the Diagnostic division will dispose of the most extensive product range in these areas of competence and thus have a good basis for further positive business development.

Employees

The number of staff in this division increased by 19 persons to 463 employees in the period under review. 26 employees of Viro-Immun GmbH were included in the scope of consolidation for the first time and 7 additional people are accounted for by Heipha Dr. Müller GmbH, whereas Diaclone SAS and Biotest AG reduced their number of employees by 15.

Medical Devices division

Within its fields of activity, the new Medical Devices division, which we report separately for the first time in this Annual Report on the 1999 financial year, operates in fast-growing international and national markets. This development is underpinned by the introduction of a binding statutory basis, such as the German Medical Device Act MPG (transposing the EU directive into national law) and the secondary In-vitro Diagnostics Directive, as well as the internationalisation and standardisation by means of CE marking, rapidly growing scientific insights in the utilisation of biochemical and biotechnological procedures as well as the customers' need for automation.

The device program which is currently being expanded contains
- systems for cell production, cell filtration and cell storage
- products in the area of diagnostic investigation of oxygen concentration in blood as well as systems, filters and receptables for taking and storing blood.
- products in the area of medical and environmentally relevant biosensorics technology.

The market launch of own new products – announced for the 1999 financial year – was in part delayed. We were late by several months on some devices and only able to start marketing activities at the end of the year. Furthermore, a merchandise distribution line with focus on Germany had to be discontinued due to one supplier being sold to a competitor. Replacement will be available at a later date only.

Sales of DM 18.8 million

Sales within this division amounted to DM 18.8 million in 1999, up by 2.2 % from the previous year.

	1999 DM million	1998 DM million	Change %
Germany	**6.9**	8.5	– 18.8
Abroad	**11.9**	9.9	+ 20.2
Total	**18.8**	18.4	+ 2.2

Earnings before interest and tax

These factors which burdened the sales development also had adverse effects on earnings before interest and tax. Earnings before interest and tax totalled DM 88,000 or 0.5 % of sales.

Capital expenditure

A total of DM 2.0 million was expended on investments in intangible assets and property, plant and equipment in this division. DM 1.5 million thereof were attributable to Envitec-Wismar GmbH and DM 0.5 million to Biotest Medizintechnik GmbH.

Biotest Medizintechnik invested in capacity expansion for the purpose of manufacturing a system for haemoglobin measurement, which should lead to a distinct increase in sales in 2000.

Envitec-Wismar GmbH invested in the construction of the pulse oxymetry production line and first expenses arose in the context of new premises. Construction commenced on March 20, 2000.

Tied-up capital attributable to the Medical Devices division totals DM 11.6 million. Depreciation in the period under review amounted to DM 0.7 million.

Research and development

The Medical Devices division spent DM 1.7 million on research and development in 1999. Market entry of further self-developed products is scheduled for 2000. In the area of sensor systems, additional products for oxygen measurement as well as for measuring other gasses will be developed, whereas in separation and isolation of blood cells, systems for taking, separating and treatment will reach marketability. In the future, therapeutic applications will be a possibility in this area.

Employees

As at the end of 1999, this division employed 88 people in German companies – Biotest Medizintechnik GmbH, Alzenau, and Envitec-Wismar GmbH, Wismar – as well as in own foreign subsidiaries, which represents an increase of 7 employees when compared to the previous year. Broken down by companies, Biotest Medizintechnik GmbH was able to reduce the number of staff and Envitec Wismar GmbH needed additional personnel in order to cope with the expansion of capacities.

Risk Management

The German Law on Control and Transparency in Business (KonTraG) requires the implementation of a monitoring system in order to be able to recognise developments which could jeopardise the continued existence of Biotest Group at an early stage.

Entrepreneurial activity is by definition associated with the taking of risks. The primary aim of risk management systems therefore is not to avoid all risks but to identify and actively control them.

Biotest has a variety of instruments for recognising and controlling risks. These are constantly being improved and enhanced. Therefore, the statutory requirement was more of a formal issue. A corresponding organisation as well as guidelines which apply on a Group-wide level have been established and ensure the uniform treatment and communication of risks.

According to the type of risk, we apply different instruments to monitor them.

Group-wide reporting assures that decision-making bodies receive timely and comprehensive information. The controlling department regularly analyses deviations form the plan and suggests adequate measures to meet the targets.

The monitoring system furthermore includes limit systems, approval procedures, special hedge transactions, e.g. in the context of interest rate or foreign exchange risk, guidelines and manuals.

Strict inventory management aims at controlling tied-up funds and the risk inherent in inventories. In this area, we are currently working on substantially improving the systems in the Pharmaceutical division.

We make use of a well established project management in order to ensure the smooth and efficient handling of our development projects. Product and environmental risks are met by strict quality management. This includes certification of our activities in accordance with international standards, constant improvement of processes and facilities as well as the new development and enhancement of devices.

Possible liability risks and damages are covered by insurance contracts in order to eliminate or at least limit the resulting financial consequences for the company. The scope of insurance coverage is constantly reviewed and adjusted when necessary.

The review of the current risk situation did not disclose any risks which might jeopardise the continued existence of the company.

The expected sustained improvement in the Group's income situation is based on the timely introduction of the new fractionation procedure (filtre aid procedure – FH) and the accompanying distinct increase in yields at Biotest Pharma GmbH in 2001. It has highest priority and all the divisions' resources necessary for completion will flow into this project.

An improvement of the income situation in the Diagnostic division and, consequently, Biotest AG is in particular coupled with the successful introduction of the fully automated blood group device Tango. This project, too, has highest priority and receives all required resources of the division.

Outlook

Group sales in the first quarter

In the first three months of the current financial year, the Group reported sales of DM 116.9 million, which is a distinct increase by DM 17.8 million or 18.0 % from the comparable previous year's period. This growth was primarily achieved at Biotest Pharma GmbH. We were thus able to continue the favourable sales development of the last months of the previous financial year in the first quarter of 2000. The above-mentioned restrictive measures continued to affect the business development in Germany. We were able to more than compensate this with stronger foreign activities.

Outlook for financial 2000

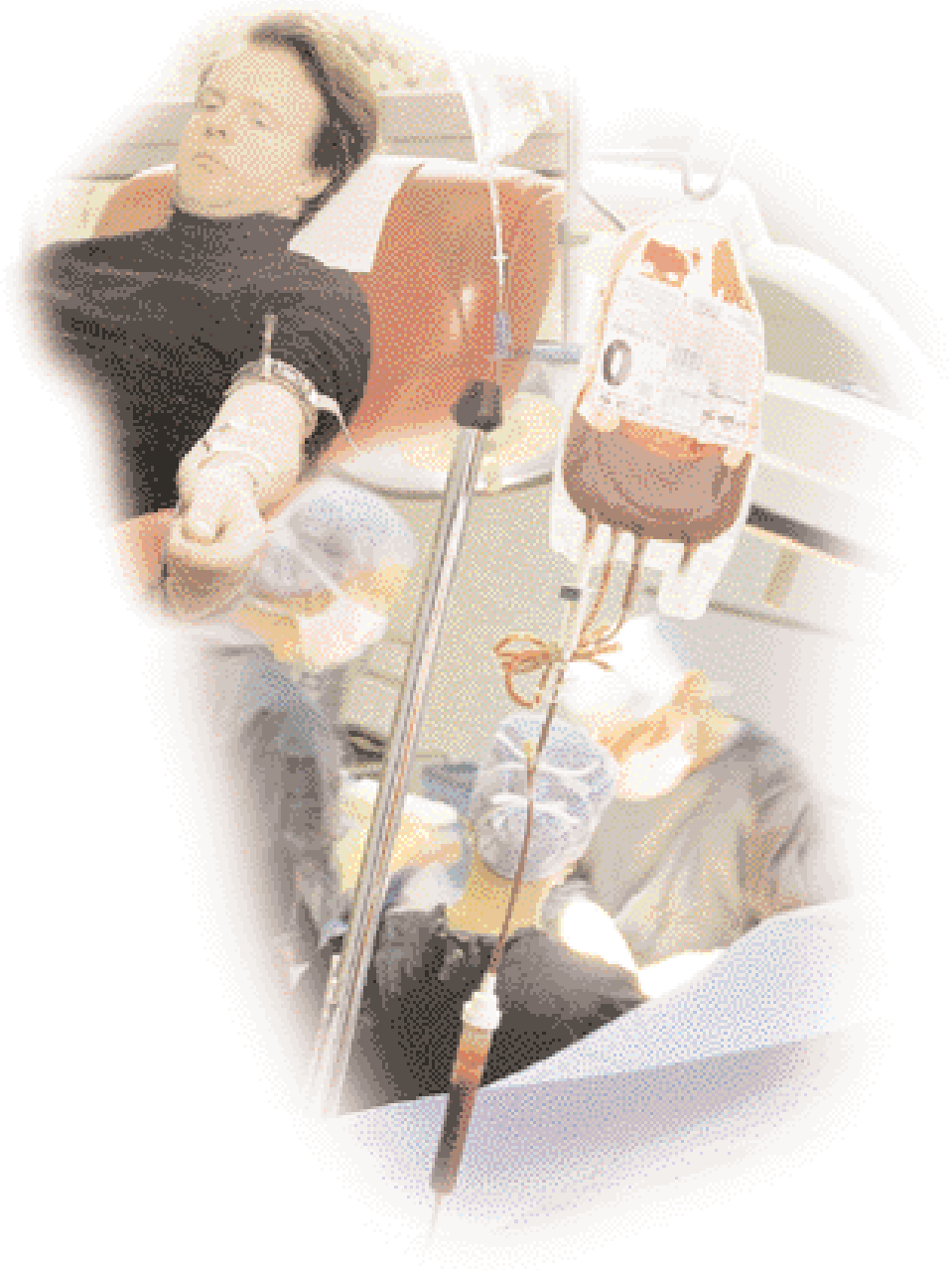
We are confident for the course of the 2000 financial year. We further envisage positive sales development due to registrations in the Pharmaceutical division already received at the beginning of the year and additional registrations expected for the coming months, new product launches in all areas of diagnostic application, product registrations in the Medical Devices division and the expansion of manufacturing capacities at some subsidiaries.

In particular in the Pharmaceutical division, the announced and implemented measures to increase revenues will have a much stronger impact on the Group result in 2000 than they had in 1999. In the Diagnostic division, the effects of the laboratory reform and the general pricing pressure should continue to be felt in the current year. The only way to counter this will be the introduction of special automation systems.

In the Medical Devices division we expect a distinct increase in the result due to the amount of work already accomplished in the context of capacity expansion and registrations in 1999.

We expect the Group result to markedly improve from the 1999 financial year.

Further Information on the Financial Year



In transfusion medicine Biotest is there from the time when blood is taken until the transfusion. Starting with blood group determination, via cell and plasma separation, search for antibodies and compatibility testing as well as plasma replacement, Biotest contributes to safe and efficient transfusion in its Diagnostic, Medical Devices and Pharmaceutical divisions.

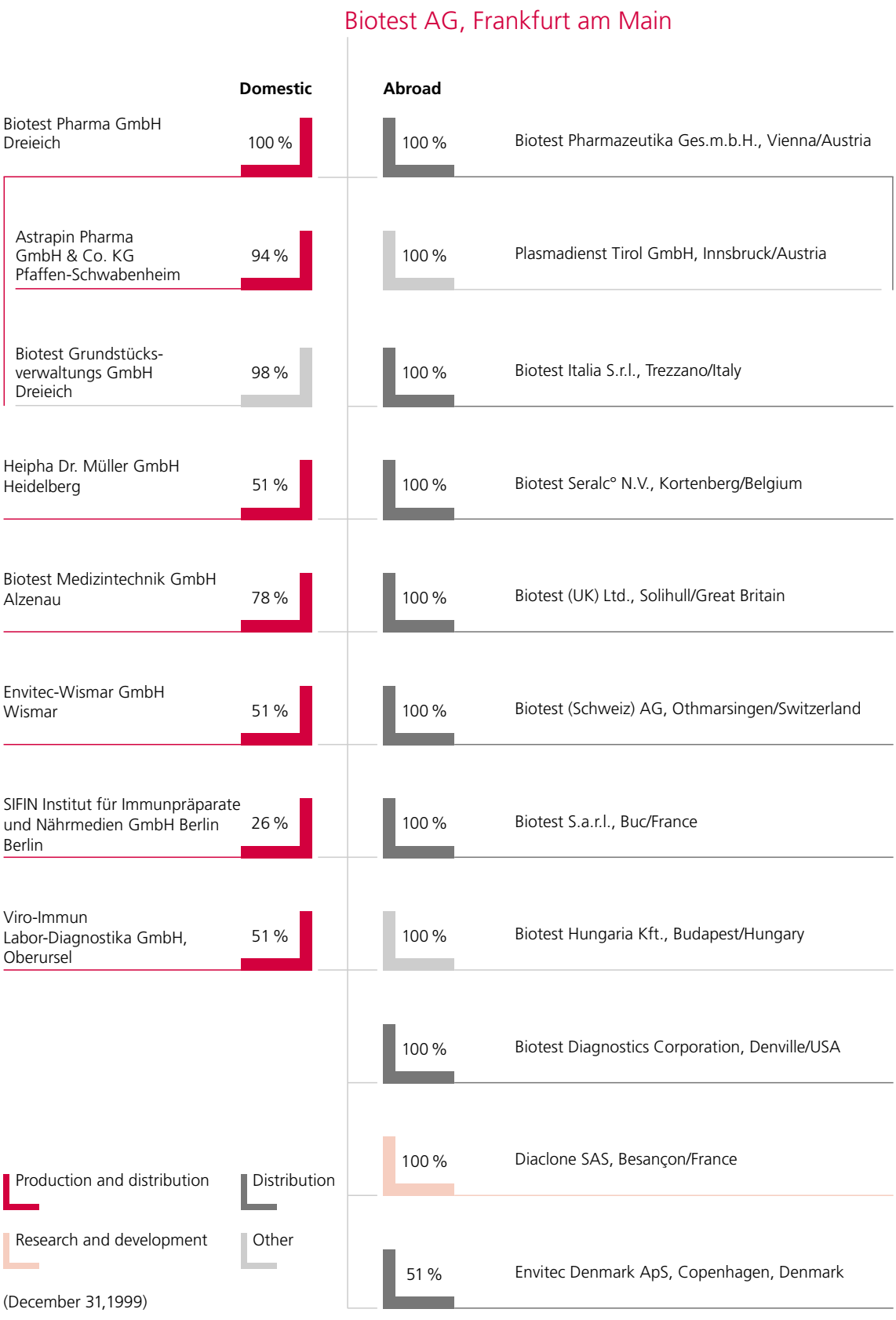
Affiliated Companies Report

Biotest AG's equity investments (as at December 31, 1999) Company's name and headquarters	Shareholders' equity DM million	Equity interest %	Sales DM million	Result after taxes DM million	Employees Dec 31, 1999
Biotest Pharma GmbH, Dreieich	63.6	100	248.8	– 1.6	471
Biotest Grundstücksverwaltungs GmbH Dreieich	1.3	98	2.2	0.3	–
Astrapin Pharma GmbH & Co. KG, Pfaffen-Schwabenheim	0.4	94	7.7	– 2.2	47
Astrapin Pharma Verwaltungs GmbH, Pfaffen-Schwabenheim[1]	0.05	100	–	–	–
Heipha Dr. Müller GmbH, Heidelberg	3.5	51	14.6	0.6	71
Viro-Immun Labor-Diagnostika GmbH, Oberursel	0.5	51.2	3.3	– 0.1	26
Biotest Medizintechnik GmbH, Dreieich	1.9	78	5.4	– 0.3	14
Envitec-Wismar GmbH, Wismar	0.5	51	8.9	0.3	67
Envitec Denmark ApS, Copenhagen	0.07	51	0.9	–	–
Biotest Pharmazeutika Ges.m.b.H., Vienna/Austria	10.8	100	25.6	2.0	30
Plasmadienst Tirol GmbH, Innsbruck/Austria	1.0	100	3.2	0.2	14
Biotest Italia S.r.l., Trezzano/Italy	12.4	100	29.4	1.3	33
Biotest Seralc° N.V., Kortenberg/Belgium	3.3	100	32.3	0.7	15
Biotest (UK) Ltd., Solihull/Great Britain	0.2	100	4.1	– 0.1	9
Biotest (Schweiz) AG, Othmarsingen/Switzerland	1.6	100	5.1	0.5	8
Biotest S.a.r.l., Buc/France	0.7	100	6.2	– 0.1	14
Biotest Hungaria Kft., Budapest/Hungary	0.6	100	2.9	–	13
Biotest Diagnostics Corporation, Denville/USA	7.3	100	20.7	1.7	34
Diaclone SAS, Besançon/France	4.9	100	3.7	– 0.4	23
SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin; Berlin[2]	1.4	26	5.9	0.3	45

[1] not included pursuant to § 296, sec. 2 German Commercial Code (HGB)

[2] associated company – at equity pursuant to § 311 et.seq. German Commercial Code (HGB)

Overview on the Biotest Group



In the following, we would like to provide you with further information on Biotest Group's most significant companies as well as on some companies which underwent substantial changes.

Biotest AG, Dreieich

In the 1999 financial year, Biotest AG suffered a 1.2 %-decline in sales to DM 72.8 million (1998: DM 73.7 million) in the diagnostics business. The above-mentioned limitation of cost refunds with regard to various laboratorial services which was imposed by law in the middle of 1999 also severely affected individual customer groups of Biotest AG. Thanks to its excellent market position and high customer commitment, Biotest AG nevertheless was able to decouple from the general market trend in the German diagnostics segment and keep sales almost on the previous year's level. Setbacks of approximately 20 % were recorded on the sector average in Germany.

Biotest AG's foreign business depends to a large extent on national tenders which are by nature not contracted out on an annual basis.

Due to a reduction in work in progress and finished goods inventories, total output changed from DM 76.1 million in 1998 to DM 72.5 million in 1999.

This decrease was also reflected in the operating profit in line with a constant or decreasing cost structure in significant areas – cost of materials remained unchanged in percentage terms and personnel costs in absolute terms, other operating expenses declined. At DM 2.4 million, operating profit amounted to 3.3 % of sales after 3.6 % in the previous year.

Research and development expense continued to be high, because Biotest intends to market the fully automated laboratory device for blood group determination and a complete range of state-of-the-art tests for HLA typing based on DNA technology in 2000.

Including the financial result, Biotest reported a result from ordinary operations of DM 7.9 million, after DM 9.5 million in the previous year. Net profit of DM 6.4 million is on the previous year's level.

	1999		1998		Change
Biotest AG	**DM million**	%	DM million	%	%
Sales	**72.8**		73.7		– 1.2
Total output	**72.5**	100.0	76.1	100.0	– 4.7
Cost of materials	**20.9**	28.8	21.8	28.6	– 4.2
Personnel costs	**30.2**	41.7	30.2	39.7	
Depreciation and amortisation	**3.5**	4.8	2.6	3.4	+ 34.6
Other operating expense	**27.6**	38.1	29.2	38.4	– 5.5
Operating profit	**2.4**	3.3	3.1	3.6	
Financial result	**5.5**	7.6	6.3	7.4	
Result from ordinary activities	**7.9**	10.9	9.5	12.4	– 16.8
Net profit	**6.4**	8.8	6.4	8.4	

Biotest Pharma GmbH, Dreieich

Biotest Pharma GmbH was able to expand sales by DM 18.4 million or 8.0 % to DM 248.8 million in 1999. This growth was exclusively due to foreign sales. In Germany, the company also suffered from cost-cutting measures and a corresponding change in therapy methods.

The share of foreign sales rose from 56.4 % in 1998 to 61.2 %.

Our blood coagulation preparation Haemoctin® was particularly successful abroad. As one of the best tolerated plasma preparations, this product is meanwhile gaining market shares in international markets.

The increase was again primarily attributable to South America, whereas the 1999 crisis in Asia had only limited effects on sales development.

Total output amounted to DM 246.9 million, up by DM 27.9 million or approximately 12.7 % from the previous year. Work in progress and finished goods inventories were slightly down from DM 87.5 million in the previous year to DM 85.1 million in the reporting period. Raw materials and supplies inventories rose by DM 7.2 million to DM 38.6 million which was mainly due to the building up of stocks of special raw materials which are difficult to procure. Cost of materials of DM 21.2 million were above the previous year's level. In this context, the materials ratio of 46.1 % again reflects changes in inventories and higher yields on a pro-rata basis. The latter to an insufficient extent, however. Taking into account the effects from changes in inventories, an improvement in the previous year's materials ratio becomes clear as a first consequence of higher yields. Our focussing and concentration resulted in a better cost structure. One of the measures to lower personnel costs by DM 3.9 million to DM 52.5 million (1998: 56.4 million) was a reduction in the number of employees. Compared to the previous year, staff figures were reduced by 19 people.

Although other operating expense rose by DM 1.5 million in absolute terms, it was down in comparison to total output. Higher distribution costs due to sales growth were offset by cost savings resulting from cost-cutting measures.

Operating profit thus distinctly improved from DM –1.0 million in 1998 to DM +6.9 in 1999.

Biotest Pharma GmbH's financial result was up from DM –11.0 million in 1998 to DM –8.5 million in 1999. This line item includes depreciation on shares in affiliated companies of DM 2.4 million (1998: DM 3.7 million). The company was able to reduce interest expense by approximately DM 1 million due to low financing costs.

Biotest Pharma GmbH was thus able to considerably improve the result from ordinary activities from DM –12.0 million to DM –1.7 million. This result takes into account the income from investments in Biotest Grundstücksverwaltungs GmbH to the tune of DM 0.7 million.

Due to the fact that a loss carryback is not possible (consolidated tax filing status until the end of 1996 and 100 % distribution to Biotest AG in 1997) beneficial tax effects will only arise in 2000.

Biotest Pharma GmbH	1999 DM million	%	1998 DM million	%	Change %
Sales	**248.8**		230.4		+ 8.0
Total output	**246.9**	100.0	219.0	100.0	+ 12.7
Cost of materials	**113.7**	46.1	92.5	42.2	+ 22.9
Personnel costs	**52.5**	21.3	56.4	25.8	– 6.9
Depreciation and amortisation	**12.0**	4.9	12.9	5.9	– 7.0
Other operating expense	**80.1**	32.4	78.6	35.9	+ 1.9
Operating profit	**6.9**	2.8	– 1.0	– 0.5	
Financial result	**– 8.5**	– 3.4	– 11.0	– 5.0	
Result from ordinary activities	**– 1.7**	– 0.7	– 12.0	– 5.5	
Net loss	**– 1.7**	– 0.6	– 11.7	– 5.3	

For reasons of comparison, the sales and total output figures of the 1998 financial year were reduced by DM 12.7 million, the sum of internal billings between Biotest Pharma and Biotest AG. From 1999 onwards, these are recorded under other operating expense.

Biotest Grundstücks-verwaltungs GmbH, Dreieich

Biotest Grundstücksverwaltungs GmbH with its real property located at Landsteinerstrasse no. 3 was actively involved in capacity expansion at Biotest Pharma with the construction of a modern new final fill facility for sterile protein products complying with highest statutory requirements. The former tenant Folex Dr. Schleussner GmbH had left the real property in spring 1999, with the exception of a few offices.

As a logical consequence, rental income was down from DM 0.5 million to DM 0.2 million in the 1999 financial year. Rental income from affiliated companies, in this case Biotest Pharma GmbH, rose by DM 0.5 million to DM 2.0 million.

Within the context of the "new final fill line" project, the real property company undertook to construct the enlarged preliminary building works in agreement with the tenant. The volume of capital expenditure is recorded at a total of DM 6.5 million, DM 2.9 million of which have already been accounted for in the 1999 financial year.

One-off charges due to the changed use of the building resulted in a decline of the net profit from DM 0.5 million in 1998 to DM 0.3 million in the reporting period.

In the year 2000, we should be able to achieve a result comparable to that of 1998.

Astrapin Pharma GmbH & Co. KG, Pfaffen-Schwabenheim

Astrapin Pharma GmbH & Co. KG (hereinafter "Astrapin"), a subsidiary of Biotest Pharma GmbH, was exposed to various detrimental influences in the past years. Firstly, the Asian crisis and bankruptcy of a former German distributor had a clear negative effect on sales, and secondly, cost of materials rose by 4 percentage points. Special depreciation at Astrapin further burdened the Group result to the tune of DM 2.3 million.

Due to the one-off effect in 1999, we expect to be able to report a better result in the year 2000.

Heipha Dr. Müller GmbH, Heidelberg

Heipha Dr. Müller GmbH which had until now mostly been active in Germany and mainly in the medical sector, was also hit by the restrictions on refunding laboratory costs which had been imposed by the German Federal government in mid-1999. In the first half of the year, the company was able to report sales growth which reversed over the second half of the year. Overall, Heipha Dr. Müller GmbH managed to keep sales on a constant basis which is to be seen as a positive development in view of the massive cost-cutting measures imposed.

Investments in the construction of a new production site and the corresponding increased orientation towards different, larger bulk units for the industry target group were already announced in the past year. This is the right way to meet upward pressure on costs, put a ceiling on expenses in the health care sector and actively tap new target groups to a much greater extent. The customers' uncertainty as a result of the new legislation led to stronger than expected changes in prices and purchasing patterns in Germany. The company's net profit nevertheless totalled DM 0.6 million which corresponds to a return on sales of 4.0 %.

Construction activity of a new building started in February 2000. Relocation is scheduled for the first half of 2001.

For the year 2000, we expect a stabilisation of the income situation and a slight increase in sales.

Viro-Immun Labor-Diagnostika GmbH, Oberursel

Viro-Immun with its virus diagnostics primarily manufactures products for medical laboratories, too, and was also hit by the aforementioned refunding restrictions in Germany.

Preparations for the ongoing international sale of products through existing Biotest organisations were expedited in 1999. They will permit distribution of products via several channels.

The company suffered a net loss of DM 0.1 million due to limited sales opportunities in the second half of 1999.

We expect sales growth and a balanced result for 2000.

Biotest Medizintechnik GmbH, Alzenau

1999 was the second year of reorganisation for this company. Restrictions imposed by fair trade laws continued to affect the launch of a self-developed technique for haemoglobin measurement longer than expected. In addition, the distribution rights for blood bag systems were lost to a competitor who took over the provider of such systems.

At the same time, development work was expedited for a system for cost-efficient and gentle blood plasma and cell production.

Company sales were down from DM 7.2 million in 1998 to DM 5.4 million in 1999 due to the afore-mentioned reasons. While total output decreased by DM 1.4 million, we were able to improve the net loss of DM 0.4 million to DM 0.3 million by means of a strict savings management.

We expect rising sales and a positive result for 2000.

Envitec-Wismar GmbH, Wismar

Company sales rose from DM 8.5 million in 1998 to DM 8.9 million in 1999. This increase was generated abroad despite the company not being able to realise all its projects.

Own production of the pulse oxymetry product line, which had been announced in the past year in order to replace procurement of merchandise subject to the dollar exchange rate, started in the second half of 1999. Over the interim period, however, extremely expensive merchandise was utilised to uphold customer relationships.

Substantial funds for additional development work were expensed on one product in the product line for measuring alcohol in breath which was scheduled for market launch at the end of 1999. Unforeseen expense arose on legal advice as well.

After the City of Wismar had finished land development of a building site in autumn 1999, first construction expenses to the tune of DM 1.2 million were spent on the plot of land and planning. The building permit was granted in 1999. Construction work started in March 2000. The notification that the investment subsidy has been granted by the Federal State of Mecklenburg-Vorpommern was also received in March 2000.

The company recorded a net profit of DM 0.3 million in 1999.

For the 2000 financial year, we intend to tap additional markets, achieve higher sales and a better result.

Biotest Italia S.r.l., Italy

The company name was changed from Biotest S.r.l. to Biotest Italia S.r.l. in the summer of 1999.

Sales of the entity sank due to massive changes in the price of one of the most important therapeutic products. The company was able to maintain its market share in terms of volumes. The diagnostics area also suffered tremendous price slumps of more than 10 % in the market for monoclonal products.

At the same time, additional staffing in the sales force led to higher personnel costs in the diagnostics area.

Sales amounted to DM 29.1 million, after DM 31.4 million in 1998.

Net profit of DM 1.3 million still reflects a return on sales of 4.6 %.

For the year 2000 we expect higher sales and a better result.

Diaclone SAS, Besançon, France

The company's legal status was changed into a so-called "small stock corporation" a SAS – Société par action simplifiée – after the corresponding French laws on simplification of entrepreneurial management of normal stock corporations became effective in autumn 1999.

At the same time, a reduction of shareholders' equity from FRF 78 million to EUR 2.5 million or FRF 16.4 million was approved in conjunction with the simultaneous set-off of accumulated losses of FRF 10 million.

As the company does not have sufficient short-term cash funds to repay the aggregate amount of the capital reduction to the shareholders, it recorded a loan liability due to Biotest AG to the tune of DM 9.2 million as at December 31, 1999.

This company, which had originally been established as a research centre, made a significant step towards becoming a supplier of special research diagnostic devices and specialist for GMP-compliant production to order for a limited volume of highest-quality antigens which can be utilised in therapeutic application.

In particular in the second area, the company was only able to commence first sales in 1999 due to long lead times for customer acquisition. Forecasts for 2000 are much more positive.

The company closed its books in 1999 with a net loss of DM 0.4 million.

Biotest Shares

Conversion to no-par value shares, conversion of share capital from DM to euro, capital increase from capital reserve

The 1999 General Meeting of Shareholders approved the classification of share capital as no-par value shares, the conversion of share capital to euro and a capital increase by € 28,324.75 from capital reserve. The company's share capital now amounts to € 20,480,000.00.

Inclusion in the SMAX

We joined the German SMAX stock exchange index from the onset and thus acknowledged the respective conditions. This measure serves to provide shareholders with more detailed information than in the past. We publish extensive data on the course of our business and report our activities on a quarterly basis. Such reports and further information are also available on the Internet under www.biotest.de.

Key figures Biotest shares	1999	1998	1997
Number of ordinary shares per December 31	**4,000,000**	4,000,000	4,000,000
Number of preference shares per December 31	**4,000,000**	4,000,000	4,000,000
	8,000,000	8,000,000	8,000,000
Dividend	EUR **1,840,000**	DM 3,600,000	DM 7,600,000
per share			
Dividend on ordinary shares (incl. tax credit)	EUR **–.20(–.29)**	DM –.40 (–. 57)	DM –.90 (1.29)
Dividend on preference shares (incl. tax credit)	EUR **–.26(–.37)**	DM –.50 (–. 71)	DM 1.– (1.43)
DVFA/SG earnings	DM **–.40**	DM –.50	DM 2.–
Cash flow	DM **3.54**	DM 3.08	DM 4.38
Cash quotation in euro			
Ordinary shares,			
Closing price at year-end	**14.––**	16.87	28.63
High	**18.22**	36.23	48.57
Low	**11.32**	15.34	27.10
Preference shares,			
Closing price at year-end	**9.05**	17.90	28.63
High	**15.75**	33.47	42.44
Low	**8.45**	14.70	24.54

60 % of ordinary shares are held by the Schleussner family. Other Board members own a total of 3,450 preference shares.

Investors did not respond to the SMAX stock exchange segment as expected. There was a stronger focus on DAX and Neuer Markt companies and on numerous new issues.

Both ordinary shares as well as preference shares were subject to high volatility in 1999. The overall development of our share price was not satisfactory. In the first four months of the current year, both share categories displayed favourable trends. Ordinary shares, for instance, were quoted at EUR 21.70 as at the end of April and preference shares at EUR 15.70. This represents a distinct rise from the closing prices at the end of the previous year. On the one hand, biotechnology shares moved to the centre of investor interest and on the other, we were able to exceed our forecasts on sales and the result, so that investors can now expect a sustained improvement in our income situation.

The average daily share trading volume rose clearly over the first four months of the current year. The 1999 average daily turnover of 4,166 ordinary shares and 9,293 preference shares rose to 15,519 ordinary shares and 40,715 preference shares in this year.

DVFA/SG earnings

The new provisions for determining DVFA/SG earnings and DVFA/SG earnings per share were already applied in the 1998 financial year. As Biotest Pharma GmbH was able to distinctly reduce the amount of net loss in 1999 compared to 1998, the tax effect taken into consideration in 1998 now results in a decrease of DVFA/SG earnings from DM 0.50 to DM 0.40 in 1999.

2000 General Meeting of Shareholders

Our General Meeting of Shareholders will take place on July 14, 2000 at 10.30 a.m. in the MARITIM Hotel Frankfurt, Theodor-Heuss-Allee 3, Frankfurt/Main.

5-Year-Summary of Statistics

Group balance sheet

Assets	1999 DM million	1999 %
A. Fixed assets		
I) Intangible assets	**12.6**	2.5
II) Property, plant and equipment	**155.0**	31.1
III) Financial assets	**2.8**	0.6
	170.4	34.2
B. Current assets		
I) Inventories	**171.9**	34.5
II) Accounts receivable and other assets	**118.2**	23.7
III) Securities classified as current assets	**12.8**	2.6
IV) Cheques, cash on hand, bank balances	**19.9**	4.0
	322.8	64.8
C. Prepaid expenses and deferred taxes	**4.9**	1.0
	498.1	100.0

Shareholders' equity and liabilities	1999 DM million	1999 %
A. Shareholders' equity		
I) Subscribed capital (euro 20,480 million)	**40.1**	8.0
II) Capital reserve	**154.4**	31.0
III) Revenue reserve	**29.7**	6.0
IV) Distributable profit	**3.9**	0.8
V) Minority interests	**2.7**	0.6
	230.8	46.4
B. Special items with partial reserve character	**0.1**	0.0
C. Provisions and accruals	**72.1**	14.5
D. Liabilities	**194.9**	39.1
E. Deferred income	**0.2**	0.0
	498.1	100.0

Group income statement

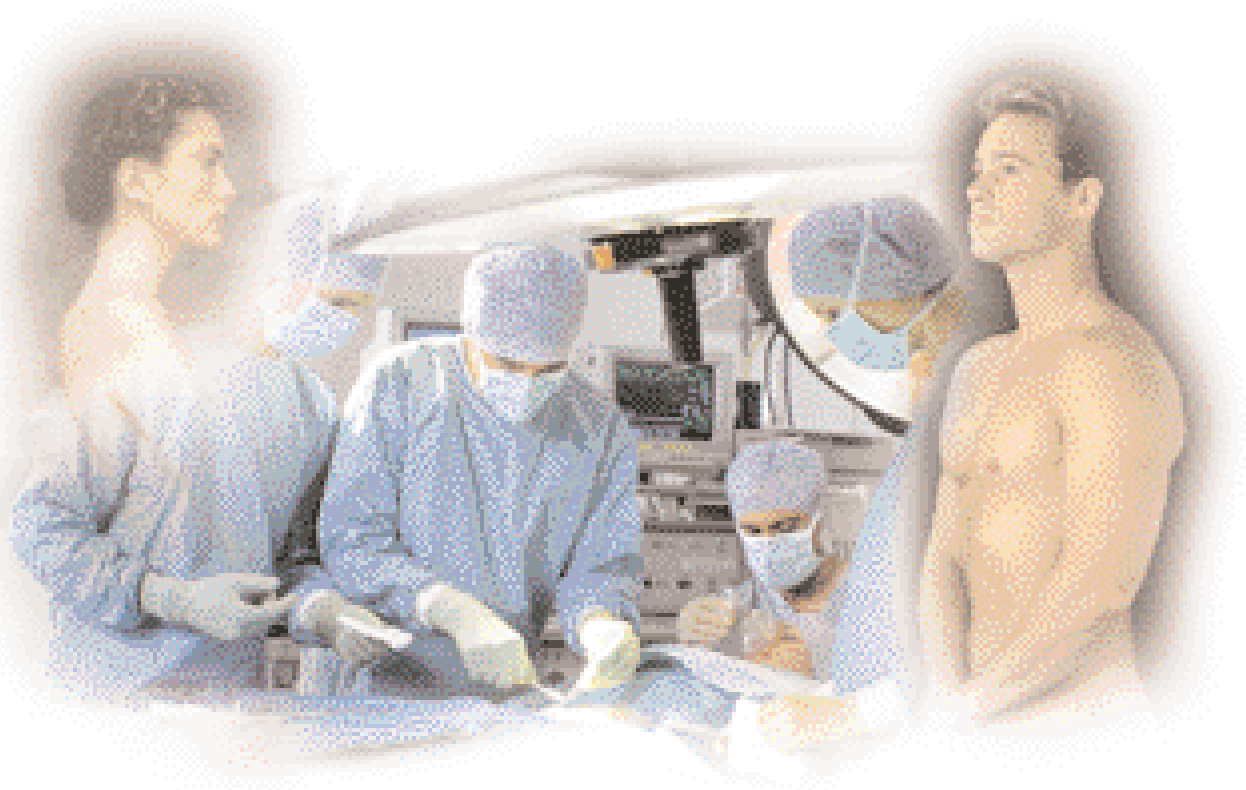
	1999 DM million	1999 %
1. Sales	**412.6**	100.5
2. Changes in inventories	**– 2.7**	– 0.7
3. Own costs capitalised	**0.7**	0.2
Total output	**410.6**	100.0
4. Other operating income	**11.3**	2.8
5. Cost of materials	**158.9**	38.7
6. Personnel costs	**116.6**	28.4
7. Depreciation and amortisation	**23.8**	5.8
8. Other operating expense	**108.2**	26.4
Operating profit	**14.4**	3.5
9. Financial result	**– 5.8**	– 1.4
10. Result from ordinary operations	**8.6**	2.1
11. Taxes	**5.3**	1.3
12. Net profit	**3.3**	0.8

1998		1997		1996		1995	
DM million	%	DM million	%	DM million	%	DM million	%
14.3		12.6		10.0		10.4	
160.0		153.4		141.9		115.8	
2.3		1.7		7.7		7.5	
176.6	35.8	167.7	33.9	159.6	40.3	133.7	40.4
162.8	33.0	187.5	37.9	146.4	36.9	102.1	30.9
97.7	19.8	99.1	20.0	76.2	19.2	72.4	21.9
15.4	3.1	17.6	3.5				
36.9	7.5	18.3	3.7	9.3	2.4	17.1	5.2
312.8	63.4	322.5	65.1	231.9	58.5	191.6	58.0
3.9	0.8	4.7	1.0	4.8	1.2	5.3	1.6
493.3	100.0	494.9	100.0	396.3	100.0	330.6	100.0

1998		1997		1996		1995	
DM million	%	DM million	%	DM million	%	DM million	%
40.0		40.0		32.0		32.0	
154.5		154.5		75.3		75.3	
29.0		31.3		23.4		16.9	
4.1		8.3		6.8		5.4	
3.0		1.4		1.2		1.0	
230.6	46.7	235.5	47.6	138.7	35.0	130.6	39.5
0.1	–	0.1	0.1	0.2	0.1	0.3	0.1
75.7	15.4	73.0	14.7	72.7	18.3	65.2	19.7
186.9	37.9	186.0	37.5	184.4	46.5	134.5	40.7
0.0	0.0	0.3	0.1	0.3	0.1	–	–
493.3	100.0	494.9	100.0	396.3	100.0	330.6	100.0

1998		1997		1996		1995	
DM million	%	DM million	%	DM million	%	DM million	%
396.0	102.2	369.1	88.1	341.0	96.7	307.9	97.9
– 9.9	– 2.6	49.0	11.7	11.0	3.1	5.2	1.7
1.5	0.4	0.9	0.2	0.6	0.2	1.4	0.4
387.6	100.0	419.0	100.0	352.6	100.0	314.5	100.0
13.3	3.4	11.6	2.8	8.2	2.3	6.0	1.9
137.9	35.6	167.6	40.0	115.4	32.7	97.6	31.0
117.6	30.3	110.7	26.4	103.2	29.3	97.5	31.0
21.0	5.4	19.0	4.5	16.5	4.7	14.7	4.7
106.0	27.3	96.8	23.1	89.7	25.4	86.2	27.4
18.4	4.7	36.5	8.7	36.0	10.2	24.5	7.8
– 6.3	– 1.6	– 7.2	– 1.7	– 7.7	– 2.2	– 5.0	– 1.6
12.1	3.1	29.3	7.0	28.3	8.0	19.5	6.2
10.2	2.6	15.9	3.8	16.2	4.6	8.5	2.7
1.9	0.5	13.4	3.2	12.1	3.4	11.0	3.5

The Group's Consolidated Financial Statements of Biotest AG



For successful transplantations, the tissue of the donor must be compatible with the recipient's tissue, rejection reactions must be prevented and certain life-threatening virus infections must be detected at an early stage and the recipient must be protected correspondingly. Biotest makes indispensible contributions in these areas, as well.

Biotest AG
Consolidated Balance Sheet
as at December 31, 1999

Assets	Notes	Dec. 31, 1999 DM	Dec. 31, 1999 DM	Dec. 31, 98 in DM thousands
A. Fixed assets	6			
I. Intangible Assets	6			
1. Patents, licenses, trademarks and similar rights and licenses for such rights and values		4,086,779		6,933
2. Goodwill		5,140,303		4,764
3. Payments in advance		3,391,966		2,551
			12,619,048	14,248
II. Property, plant and equipment	6			
1. Land and equivalent rights and buildings including buildings on land owned by third parties		102,081,745		108,576
2. Plant and machinery		16,691,143		15,853
3. Other plants, factory and office equipment		25,273,664		27,639
4. Payments in advance and tangible assets in course of construction		10,958,285		7,976
			155,004,837	160,044
III. Financial assets	6			
1. Shares in affiliated companies		50,001		50
2. Shares in associated companies		714,216		675
3. Investment securities		311,047		295
4. Other loans receivable		1,689,600		1,305
			2,764,864	2,325
			170,388,749	176,617
B. Current assets				
I. Inventories				
1. Raw materials and supplies		50,438,453		42,739
2. Work in process		87,303,353		87,978
3. Finished goods and merchandise		32,313,729		31,772
4. Payments in advance		1,870,682		319
			171,926,217	162,808
II. Accounts receivable and other assets				
1. Accounts receivable, trade		94,098,647		82,840
2. Receivables from affiliated companies		85,545		87
3. Other Assets	8	23,993,824		14,724
			118,178,016	97,651
III. Securities classified as current assets			**12,868,713**	15,444
IV. Cheques, cash on hand, bank balances			**19,870,662**	36,860
			322,843,608	312,763
C. Prepaid expenses and deferred taxes	9		**4,913,346**	3,968
			498,145,703	493,348

Biotest AG
Consolidated Balance Sheet
as at December 31, 1999

Shareholders' equity and liabilities	Notes	Dec. 31, 1999 DM	Dec. 31, 1999 DM	Dec. 31, 98 in DM thousands
A. Shareholders' equity	10			
I. Subscribed capital				
1. Ordinary shares		20,027,699		20,000
2. Preference shares		20,027,699		20,000
			40,055,398	40,000
II. Capital reserve				
1. Share premium		153,439,177		153,495
2. Other reserves		1,000,000		1,000
			154,439,177	154,495
			194,494,575	194,495
III. Revenue reserve	11	29,714,286		29,066
IV. Consolidated distributable profit		3,896,592		4,075
V. Minority interests	12	2,664,437		2,991
			36,275,315	36,132
			230,769,890	230,627
B. Special items with partial reserve character	13		**92,879**	93
C. Provisions and accruals				
1. Provisions for pensions and similar obligations		48,975,051		47,697
2. Provisions for taxes		3,301,411		7,661
3. Other provisions and accruals	14	19,897,352		20,324
			72,173,814	75,682
D. Liabilities	15			
1. Liabilities due to banks		124,709,728		119,150
2. Payments received on account of orders		38,691		57
3. Accounts payable, trade		32,278,128		20,975
4. Bills payable				188
5. Liabilities due to affiliated companies		66,555		62
6. Liabilities due to associated companies		11,265		1
7. Other liabilities – of which taxes: DM 5,479,586 (1998: DM 6,215,000) – of which social security: DM 2,476,508 (1998: DM 2,446,000)		37,814,747		46,483
			194,919,114	186,916
E. Deferred income			**190,006**	30
			498,145,703	493,348

Biotest AG
Group Income Statement
for the Period from January 1 to December 31, 1999

	Notes	1999 DM	1999 DM	1998 in DM thousands
1. Sales	17	412,626,387		396,006
2. Changes in product inventories		– 2,738,931		– 9,894
3. Own costs capitalised		674,852		1,444
Total output			**410,562,308**	387,556
4. Other operating income	18		**11,294,442**	13,337
5. Cost of materials:				
a) Cost of raw materials, supplies and merchandise		155,760,280		135,594
b) Cost of services purchased		3,192,488		2,258
			158,952,768	137,852
			262,903,982	263,041
6. Personnel costs:				
a) Wages and salaries		94,529,293		95,624
b) Social security, retirement pension and benefits – of which retirement pension: DM 4,194,026 (1998: DM 4,121,000)		22,021,023		22,022
			116,550,316	117,646
7. Amortisation on intangible assets and depreciation on property, plant and equipment	19		**23,750,074**	20,969
8. Other operating expense	20		**108,220,943**	105,986
Operating profit			**14,382,649**	18,440
9. Income from investments in associated companies		**39,003**		33
10. Income from long-term loans		**44,795**		43
11. Other interest and similar income		**1,387,457**		1,414
12. Depreciation on financial investments and securities classified as current assets		**22,386**		0
13. Interest and similar expense		**7,275,790**		7,769
			– 5,826,921	– 6,279
14. Result from ordinary operations			**8,555,728**	12,161
15. Income taxes	21	**4,661,202**		9,511
16. Other taxes		**619,688**		701
			5,280,890	10,212
17. Consolidated net profit			**3,274,838**	1,949
18. Minority interests in the net profit			**196,332**	737
19. Previous year's profit			**475,078**	704
20. Drawing on the revenue reserve			**343,008**	2,159
21. Consolidated distributable profit			**3,896,592**	4,075

Notes to the Consolidated Group Accounts of Biotest AG

Antibodies protect against infections. If they are missing or if they do not attack a foreign pathogen but the own organism, this can be life threatening. Biotest enables the exact identification as well as an effective therapy with the corresponding antibody preparations to restore the immunological balance.

Notes to the Consolidated Group Accounts of Biotest AG

The consolidated financial statements were prepared in accordance with the German Commercial Code (HGB).

1 Consolidated Group and balance sheet date

The following companies have been included in the consolidated accounts:

- Biotest AG, Frankfurt
- Biotest Pharma GmbH, Dreieich
- Biotest Diagnostics Corporation, USA
- Biotest Pharmazeutika Ges.m.b.H., Austria
- Plasmadienst Tirol GmbH, Austria
- Biotest Italia S.r.l., Italy
- Biotest (UK) Ltd., Great Britain
- Biotest Seralc° N.V., Belgium
- Biotest (Schweiz) AG, Switzerland
- Biotest S.a.r.l., France
- Biotest Hungaria Kft., Hungary
- Heipha Dr. Müller GmbH, Heidelberg
- Astrapin Pharma GmbH & Co. KG, Pfaffen-Schwabenheim
- Biotest Grundstücksverwaltungs GmbH, Dreieich
- Diaclone SAS, France
- Biotest Medizintechnik GmbH, Dreieich
- Envitec-Wismar GmbH Umweltschutz und Medizintechnik, Wismar
- Envitec Denmark, APS*
- Viro-Immun Labor-Diagnostika GmbH, Oberursel*
- SIFIN Institut für Immunpräparate und Nährmedien GmbH, Berlin

* Consolidated for the first time as at January 1, 1999

The first-time consolidation of companies does not have a material effect on the comparability with the previous year's values.

The balance sheet date for the Group accounts and all consolidated companies is December 31, 1999.

All companies shown above have been fully consolidated with the exception of SIFIN GmbH, which has been consolidated at equity pursuant to Articles 311 et seq. of the German Commercial Code (HGB).

The currently inactive Seralc Investment Corp., Denville/USA (wholly-owned subsidiary of Biotest AG) as well as the limited liability company in a limited partnership Astrapin Pharma Verwaltungs-GmbH, Pfaffen-Schwabenheim, which all are of secondary importance to the fair presentation of the Group's assets, financial situation and profitability, have not been consolidated pursuant to Article 296, paragraph 2 of the German Commercial Code (HGB).

A complete listing of all companies in which an equity interest is held by Biotest Group is filed with the commercial register of the local court (Amtsgericht) of Frankfurt/Main under number HRB 27614. It contains all information prescribed by law. It is published on page 30 in the Annual Report.

2 Consolidation principles

Capital consolidation has been accomplished pursuant to the book value method. In this context, the purchasing costs of stakes acquired have been offset against the book value of the subsidiary's equity capital associated with these costs as at the date of purchase. Only the purchasing costs for the shareholding in Heipha Dr. Müller GmbH have been offset against the equity capital attributable to these costs as at the date of the first inclusion in the consolidated financial statements (December 31, 1991). The differences resulting from such offsetting have been allocated to the subsidiary's balance sheet items up to the amount of their fair values taking into consideration the accounting and valuation methods applied in the Group, and written off over the useful life of such assets in the consolidated statements. Remaining differences on the assets side have been capitalised as goodwill and are written down in accordance with their useful life over a period of 5 to 15 years.

The full amount of the difference resulting from the capital consolidation of Viro-Immun Labordiagnostika GmbH, Oberursel, of DM 930,000 represents goodwill.

The stake held in the associated company SIFIN GmbH has been reported in the Group accounts with an amount corresponding to the pro rata equity capital of this company pursuant to Article 312, first paragraph, first sentence (book value method) of the German Commercial Code (HGB).

The Group receivables and liabilities as well as intercompany sales, income from investments and corresponding revenues and expenses have been consolidated to the extent that they were incurred by the companies included in the scope of consolidation. Any interim profits resulting from inventories based on intercompany deliveries have been eliminated.

Tax accruals and deferrals have been redetermined for the Group accounts. The resulting tax assets have been netted with the accrual items included from individual balance sheets.

3 Accounting and valuation methods

Fixed assets have been valued at acquisition cost, reduced by the scheduled straight-line or declining-balance method of depreciation over the expected useful life. Minor-value assets have been written off in full in the year of purchase. The simplification rule with respect to half-year/full-year depreciation has not been utilised.

Shares in affiliated companies and equity interests have been valued at acquisition cost. Where their value on the balance sheet date has been persistently lower than acquisition cost, such value has been used.

Inventories have been valued at cost, using the principle of lower-of-cost-or-market. Acquisition and manufacturing cost have been determined according to tax provisions, whereby no use has been made of capitalisation options. Impairment of value due to spoilage, reduced marketability or other limited applicability have led to write-downs or write-offs.

Accounts receivable, trade have been carried at their nominal value, less discounts. Receivables in foreign currencies have been valued on the basis of exchange rates prevailing on the balance sheet date, to the extent that they were below the rates prevailing on the date of their initial book entry.

Earmarked research grants from public funds without repayment obligation have been allocated on an accrual basis, i.e. reported in the year during which costs were incurred.

Provisions for pensions recorded with the German companies correspond to the going-concern value, based on an assumed rate of interest of 6 per cent, and are computed actuarially.

The 1998 financial year constituted the first time the calculation was based on Prof. Dr. Heubeck's new 1998 mortality tables. Starting with the 1998 financial year, the resulting need for adjustment with regard to previously used mortality charts will be equally spread over a period of four years.

Provisions and accruals include all known and contingent liabilities. They have in each case been recorded at an amount which has been estimated on commercially sound terms. To the extent that the liabilities, forming the basis for provisions and accruals, bear interest, such provisions and accruals have been discounted correspondingly. Corporation tax provisions have been calculated on the basis of the respective proposed appropriation of earnings. Expected losses from currency forwards on the balance sheet date have been covered by provisions in the amount of negative market values.

Liabilities have generally been carried at the amounts repayable, pension liabilities for which no consideration is expected have been reported at their present value. Short-term foreign currency liabilities have been valued on the basis of exchange rates prevailing on the balance sheet date, whenever these were higher than the rates prevailing on the date of their initial book entry.

With regard to reporting deferred taxes, the accounting option has been exercised to the end that any tax assets occurring with subsidiaries pursuant to Article 274, second paragraph of the German Commercial Code (HGB) have been capitalised.

4 Foreign currency translation

Foreign subsidiaries' accounts which have been prepared in foreign currency and included into the Group accounts are translated into Deutsche Mark using the historical rate for equity items, the rate prevailing on the balance sheet date for all other balance sheet items, and average annual rates for the income statement. The relevant middle rate between buying and selling rate has been used for foreign currency translation.

Any difference resulting from the translation of balance sheet items at different exchange rates have been allocated to revenue reserve. Differences resulting from different exchange rates in the balance sheet and the income statement are recognised with an effect on income.

Selected currencies	Middle rate as at the balance sheet date		Average annual rate	
	Dec 31, 1999	Dec 31, 1998	**1999**	1998
	DM	DM	**DM**	DM
1 US Dollar	**1.9488**	1.6730	**1.8359**	1.7592
1 pound sterling	**3.1546**	2.7980	**2.9704**	2.9142
1 Swiss franc	**1.2191**	1.2220	**1.2222**	1.2141

5 Segment reporting

Principles applied on segment reporting

Segment information refers to operating activities. Therefore, only operating assets have been segmented. Assets which cannot be allocated to segments have been reported separately in order to be able to reconcile them to the values shown in the balance sheet. Changes in property, plant and equipment and intangible assets are recorded under capital expenditure and depreciation and amortisation.

Sales have been allocated to the segments in accordance with the division in which they originated.

Segmentation of divisions corresponds to our management structure.

Segment information broken down by division, in DM million

	Pharmaceutical	Diagnostic	Medical Devices	not allocated	Total
Sales 1999	273.0	120.8	18.8	–	412.6
Sales 1998	259.3	118.3	18.4	–	396.0
Result before interest and tax 1999	8.3	6.0	0.1	–	14.4
Result before interest and tax 1998	6.9	11.0	0.5	–	18.4
Depreciation and amortisation 1999	17.1	6.0	0.7	–	23.8
Depreciation and amortisation 1998	16.4	3.7	0.8	–	20.9
Assets 1999	319.0	103.1	11.6	64.4	498.1
Assets 1998	316.2	94.2	9.6	73.3	493.3
Capital expenditure 1999	10.4	7.1	2.0	–	19.5
Capital expenditure 1998	27.8	1.0	4.9	–	33.7
Employees 1999	566	463	88	52	1,169
Employees 1998	589	444	81	47	1,161

Balance Sheet Notes

(Amounts in DM thousands if not stated otherwise)

Fixed assets development 6

	Acquisition cost and manufacturing cost						
	Jan 1, 99	Foreign exchange difference	Changes in the consolidated group	Additions	Disposals	Book transfers	Dec 31, 99
I. Intangible assets							
1. Concessions, patents, licences, trademarks and similar rights and values	20,010	87		1,186	326	246	21,203
2. Goodwill	6,189	69		930			7,188
3. Payments in advance	2,551			1,087		– 246	3,392
	28,750	**156**	**0**	**3,203**	**326**	**0**	**31,783**
II. Property, plant and equipment							
1. Land and equivalent rights and buildings including buildings on land owned by third parties	158,840	72		1,478	510	– 2,892	156,988
2. Plant and machinery	52,002	102		1,376	827	4,217	56,870
3. Other plants, factory and office equipment	80,317	198	501	5,468	3,593	905	83,796
4. Payments in advance and tangibles assets in course of construction	7,976			7,516	1,461	– 2,230	11,801
	299,135	**372**	**501**	**15,838**	**6,391**	**0**	**309,455**
III. Financial assets							
1. Shares in affiliated companies	50						50
2. Shares in associated companies	703			67			770
3. Investment securities	329			38			367
4. Other loans receivable	1,305			295	56	146	1,690
	2,387	**0**	**0**	**400**	**56**	**146**	**2,877**
Fixed assets	**330,272**	**528**	**501**	**19,441**	**6,773**	**146**	**344,115**

			Accumulated depreciation						Book values	
Jan 1, 99	Foreign exchange difference	Changes in the consolidated group	Additions existing assets	Additions 1999	Disposals 1999	Appreciation	Book transfers	Dec 31, 99	Dec 31, 99	Dec 31, 98
13,077	43		4,144	171	319			17,116	4,087	6,933
1,425	20		417	186				2,048	5,140	4,764
									3,392	2,551
14,502	**63**		**4,561**	**357**	**319**	**0**	**0**	**19,164**	**12,619**	**14,248**
50,264	57		5,072	587	172		– 902	54,906	102,082	108,576
36,149	83		4,558	186	797			40,179	16,691	15,853
52,678	152	395	7,412	1,017	3,191		59	58,522	25,274	27,639
							843	843	10,958	7,976
139,091	**292**	**395**	**17,042**	**1,790**	**4,160**	**0**	**0**	**154,450**	**155,005**	**160,044**
									50	50
28			28					56	714	675
34			22					56	311	295
									1,690	1,305
62	**0**		**50**					**112**	**2,765**	**2,325**
153,655	**355**	**395**	**21,653**	**2,147**	**4,479**	**0**	**0**	**173,726**	**170,389**	**176,617**

7 Property, plant and equipment and financial assets

The development of fixed assets has been described above.

Other loans receivable primarily consist of loans to employees and assets from reinsurance policies.

8 Other assets (with a remaining lifetime of more than one year)

Other assets with a remaining lifetime of more than one year amounted to DM 212,000 (1998: DM 2,137,000).

9 Prepaid expenses and deferred taxes

Prepaid expenses and deferred taxes developed as follows:

	1999	1998
	(in DM thousands)	
Deferred taxes	**2,319**	1,859
Discounts	**1,062**	952
Miscellaneous	**1,532**	1,157
Total	**4,913**	3,968

Discounts with a remaining lifetime of more than one year amounted to DM 798,000 (1998: DM 720,000).

Deferred taxes combine items from the individual financial statements pursuant to article 274 German Commercial Code (HGB) of DM 437,000 and items from consolidation pursuant to article 306 German Commercial Code (HGB) of DM 1,882,000.

10 Subscribed capital and capital reserve

Share capital was converted to no-par value shares following a resolution of the General Meeting of Shareholders on July 15, 1999. Each share with a nominal value of DM 5.00 was replaced by one no-par value share and each share with a nominal value of DM 50 by ten no-par value shares. Share capital is thus divided into 4 million ordinary shares and 4 million non-voting preference shares. Certification of shares is precluded.

The General Meeting of Shareholders furthermore approved the conversion of share capital into euro. Share capital to the current tune of DM 40 million was thus converted to EUR 20,451,675.25. A capital increase by EUR 28,324.75 (= DM 55,398.40) to EUR 20,480,000 was approved as well. The increase of share capital was funded by the company's financial resources. To this end, part of the capital reserve equalling the amount of increase reported in the annual financial statements as at Dec 31, 1998 was converted into share capital. No new shares were issued for the capital increase funded from the company's financial resources.

The conversion to no-par value shares, the conversion of share capital from DM to euro as well as the capital increase funded from financial resources were registered in the commercial register on July 30, 1999.

The Schleussner family still holds 60 per cent of the ordinary shares, 40 per cent of ordinary shares and 100 per cent of preference shares are broadly spread.

As a result of the conversion to euro, the capital reserve declined by the amount of the capital increase funded from the company's financial resources to DM 154,439,000.

11 Revenue reserve

The revenue reserve developed as shown below:

Balance carried forward as at January 1, 1999	29,066
Foreign exchange fluctuations and other changes	991
Drawing on the revenue reserve	343
Balance as at December 31, 1999	29,714

12 Minority interests

Changes in minority interests are due to:

Balance carried forward as at January 1, 1999	2,991
Distribution of dividends	819
Minority interests in first-time consolidated capital	296
Share in net profit	196
Balance as at December 31, 1999	2,664

13 Special items with partial reserve character

A deferred item created in the accounts of the Austrian subsidiaries exclusively as a result of local taxation rules (investment reserve pursuant to Article 9 of the Income Tax Act (EstG), investment allowance pursuant to Article 10 of the Income Tax Act) has been included in the Group accounts pursuant to Article 298, first paragraph, Article 273 and Article 274, third paragraph of the German Commercial Code (HGB), and reported as a special item with partial reserve character. During the period under review, an amount of DM 21,000 was transferred to these items, and DM 21,000 were liquidated or transferred without affecting the operating result.

14 Other provisions

Other provisions essentially include provisions for outstanding holiday entitlements, profit-sharing plans for employees, licence fees and outstanding invoices.

15 Liabilities

	Total Amount 1999	With a remaining lifetime of up to 1 year	1 to 5 years	over 5 years
1. Liabilities due to banks	124,710	61,546	41,644	21,520
(1998)	(119,150)	(59,448)	(41,310)	(18,392)
2. Payments received on account	39	39		
(1998)	(57)	(57)		
3. Accounts payable, trade	32,278	31,312	128	838
(1998)	(20,975)	(20,010)	(123)	(842)
4. Bills payable	–	–	–	–
(1998)	(188)	(188)		
5. Liabilities due to affiliated companies	67	67		
(1998)	(62)	(62)		
6. Liabilities due to associated companies	11	11		
(1998)	(1)	(1)		
7. Other liabilities	37,814	37,643	9	162
(1998)	(46,483)	(46,397)	(69)	(17)
1999	194,919	130,618	41,781	22,520
(1998)	(186,916)	(126,163)	(41,502)	(19,251)

Liabilities due to banks are secured by a charge over property in the amount of DM 63,654,000 (1998: DM 68,289,000).

Liabilities due to banks include DM 8,000,000 bills payable (1998: DM 19,000,000).

16 Contingent liabilities, other financial obligations and currency hedging

Contingent liabilities	1999	1998 (in DM thousands)
Bills payable	–	188

Other financial obligations	1999	1998 (in DM thousands)
Obligations resulting from rental and leasing contracts		
Next year's expenditures	**5,422**	4,295
Expenditures-2nd to 5th year	**7,175**	4,380
Expenditures after the 5th year	**2,082**	1,739
	14,679	10,414
Authorised investments in fixed assets	**9,645**	2,997
Other	**3,509**	2,064
	27,833	15,475

Interest rate and currency hedging. A purchase obligation of DM 1.1 million and selling obligations totalling CHF 2.6 million and USD 1.1 million resulting from currency forward transactions existed on December 31, 1999. These currency derivatives have a term of less than 12 months.

To hedge against rising market interest rates, Biotest entered into transactions limiting the upward movement of interest rates (CAP) and Interest Rate Swaps (IRS) with a total volume of DM 40 million. In this respect, the company is in the position of a writer of a DM 10 million CAP (interest rate cap 6 %, term until July 2008).

The premiums paid in connection with the conclusion of interest cap transactions are reported under other assets. They are liquidated over the term of the contracts and recognised as an expense.

The premiums received in connection with the option writer position are shown as other liabilities and also liquidated over the term of the contracts and recognised as income.

The Group established provisions totalling DM 143,000 for open positions with negative market values outstanding as at December 31, 1999.

To minimise the credit risk, this interest rate transaction was concluded with a first-rate bank.

Explanatory Notes to the Income Statement

(Amounts in DM thousands if not stated otherwise)

17 Sales

Sales in the individual divisions developed as shown below:

	1999 DM million	1998 DM million	Change DM million	Change %
Pharmaceutical division				
Domestic	**100.4**	105.2	– 4.8	– 4.5
Abroad	**172.6**	154.1	18.5	12.0
	273.0	259.3	13.7	5.3
Diagnostic division				
Domestic	**46.8**	45.4	1.4	3.1
Abroad	**74.0**	72.9	1.1	1.5
	120.8	118.3	2.5	2.1
Medical Devices division				
Domestic	**6.9**	8.5	– 1.6	– 18.8
Abroad	**11.9**	9.9	2.0	20.2
	18.8	18.4	0.4	2.2
	412.6	396.0	16.6	4.2

18 Other operating income

Other operating income essentially includes exchange rate gains, revenues from the dissolution of provisions as well as from rebilling of expenses.

The item contains an amount of DM 3,494,000 that relates to other accounting periods.

19 Amortisation

Special amortisation amounted to DM 2,327,000.

20 Other operating expense

Other operating expense primarily includes general administrative and distribution costs, research costs, rents, outside repairs, licence fees paid, insurance premiums and market price losses. Expenses unrelated to the accounting period included in this figure mainly relate to losses from the disposal of assets and amount to DM 564,000.

21 Income taxes

Income taxes include tax expenses of DM 173,000 that are unrelated to the accounting period and income from the dissolution of tax provisions and other tax refunds to the amount of DM 549,000.

They are broken down as shown below:

	1999	1998 (in DM thousands)
German income taxes	**1,416**	4,354
Foreign income taxes	**3,663**	4,666
Deferred taxes	**– 418**	491
Total	**4,661**	9,511

22 Cash flow statement – Group

	1999	1998
Net profit before minority interests	**3,275**	1,949
Amortisation and depreciation	**23,750**	20,969
Income from associated companies	**– 39**	– 33
Write-downs on investment securities	**22**	– 3
Increase in provisions for pensions	**1,278**	1,725
Cash flow	**28,286**	**24,607**
Decrease in other provisions	**– 5,162**	159
Losses from the disposal of fixed assets (net)	**498**	1,720
Income from the sale of non-completed plant equipment	**– 483**	
Increase in inventories, trade receivables and other assets	**– 27,453**	28,446
Increase in trade liabilities and other liabilities including special items	**1,294**	– 12,803
Outflow of funds from continuing operations (1998: inflow of funds)	**– 3,020**	**42,129**
Receipts from the disposal of fixed assets	**2,279**	1,554
Amounts paid out for investments in fixed assets	**– 18,445**	– 30,468
Amounts paid out for the acquisition of subsidiaries	**– 1,007**	– 1,860
Outflow of funds from investment activities	**– 17,173**	**– 30,774**
Dividend payments for 1998	**– 3,600**	– 7,600
Cash-changes in minority interests	**– 599**	465
Receipts from borrowings from banks and loans	**24,765**	37,767
Amounts paid out for repayments of liabilities due to banks and loans	**– 20,369**	– 25,649
Inflow of funds from financing activities	**197**	**4,983**
Cash-changes in financial resources	**– 19,996**	16,338
Changes in the value of financial resources due to exchange rate movements and other reasons	**432**	11
Financial resources at the beginning of the period*	**52,304**	35,955
Financial resources at the end of the period*	**32,740**	**52,304**

* Financial resources include liquid funds as well as securities classified as current assets to the tune of DM 12,869,000 (1998: DM 15,444,000).

23 Employees

The average figure of staff employed in the Group developed as shown below:

	1999		1998	
Group	**Employees**	%	Employees	%
Distribution	**362**	31.0	366	31.5
Administration	**131**	11.2	130	11.2
Production	**508**	43.5	494	42.5
Research and development	**144**	12.3	147	12.7
	1,145	97.9	1,137	97.9
Training	**24**	2.1	24	2.1
Total	**1,169**	100.0	1,161	100.0

The figures include 26 employees of Viro-Immun Labor-Diagnostika GmbH which was consolidated in 1999 for the first time. As a result of Biotest Pharma GmbH's realignment process, 19 people less were employed as at the end of 1999.

24 Supervisory Board, Board of Managing Directors and Advisory Board

The total remuneration for the members of the Supervisory Board amounted to DM 38,000, total remuneration for the members of the Board of Managing Directors to DM 1,190,000.

Remuneration paid to former members of the Board of Managing Directors amounted to DM 435,000.

Provisions to the amount of DM 4,402,000 have been made for pension obligations to former members of the Board of Managing Directors.

As at the balance sheet date, there were no loan claims against any members of the company's management bodies.

Remuneration paid to the Advisory Board for the 1999 business year amounted to DM 21,000.

The members of the Supervisory Board and the Board of Managing Directors are listed below.

The Supervisory Board members in addition serve on statutory Supervisory Boards and comparable control boards of the following commercial enterprises:

Supervisory Board

Dr. phil. nat. Hans Schleussner,
Chairman, Frankfurt/Main
Celfa AG, Chairman of the Administrative Board

Dr. Jochen Hückmann, Deputy Chairman;
Frankfurt/Main
Managing Partner of Merz + Co. GmbH & Co.

Johannes Hartmann, Clerk, Weiterstadt

Klaus Lobello, Industrial employee, Dreieich-Sprendlingen

Renate Schleussner, Merchant, Frankfurt/Main

Walter Schürmann (until July 15, 1999),
Lawyer and notary, Frankfurt/Main
burgbad AG, Chairman
DESTAG, Chairman

Hach AG, Chairman
Oppermann Versand AG, Chairman
Hornbach Baumarkt AG
Hornbach Holding AG
Markant Südwest Handels AG

Reinhard Eyring (from July 15, 1999),
Lawyer, Kronberg/Ts.
b.i.s. börsen-informationssysteme AG, Chairman
Hornbach Holding AG
DESTAG Deutsche Steinindustrie AG
BGI zu Höne, Klußmann, Altpeter AG (BGI AG)

Advisory Board

Consul Helmut Holz, Dipl.-Kfm., Frankfurt am Main

Prof. Dr. Klaus Rajewsky,
Genetics Institute University of Cologne, Cologne

Renate Schleussner, Merchant, Frankfurt/Main

Dr. phil. nat. Hans Schleussner,
Chairman of the Supervisory Board of Biotest AG, Frankfurt/Main

Michael Freiherr Truchseß, Frankfurt am Main
Senior Vice President Deutsche Bank AG

Board of Managing Directors

Dr. phil. nat. Dieter Merz, Chairman, Frankfurt/Main

Dipl.-Kfm. Ralph Haubner, Brensbach

Dr. phil. nat. Roland Reiner, Darmstadt

Profit appropriation

The Supervisory Board and the Board of Managing Directors propose to appropriate the net profit for the year of DM 3.892.592 as shown below:

	Euro	DM
Distribution of a dividend of EUR 0.20 per ordinary share payable on the dividend eligible share capital divided into 4 million ordinary shares	800,000	1,564,664
Distribution of a dividend of EUR 0,26 per preference share payable on the dividend eligible share capital divided into 4 million non-voting preference shares	1,040,000	2,034,063
	1,840,000	**3,598,727**
Carryover to the next business year		297,865
		3,896,592

Frankfurt/Main, May 3, 2000
Biotest Aktiengesellschaft

The Board of Managing Directors


Dr. Dieter Merz
(Chairman)


Ralph Haubner


Dr. Roland Reiner

Auditors' report

We have audited the consolidated financial statements and the management report of Biotest Group, which were prepared by Biotest AG, for the financial year from January 1 until December 31, 1999. The Board of Managing Directors of the company is responsible for the preparation of the consolidated financial statements and the management report of the Group in accordance with the German commercial law provisions. It is our responsibility to express an opinion on the consolidated financial statements and the management report of the Group based on the audit we conducted.

We conducted the Group audit pursuant to § 317 German Commercial Code (HGB) in accordance with the generally accepted auditing standards issued by the German Institute of Chartered Accountants (IDW). Those standards require that the audit is planned and performed in a way which gives reasonable assurance that misstatements and offences which have a material effect on the view of the assets, liabilities, financial position and profit or loss of the company as presented in the consolidated financial statements with due regard to the principles of orderly accounting and in the management report of the Group are detected. Upon determining the auditing procedures knowledge on the Group's operations as well as the economic and legal environment and the anticipation of possible errors are taken into account. Within the context of the audit, the effectiveness of internal control systems and the disclosed information in the consolidated financial statements and the management report of the Group have been predominantly determined on a spot check basis. The audit includes an assessment of the annual financial statements of consolidated companies, the definition of the scope of consolidated companies, the applied accounting and valuation methods and the substantial estimates made by the legal representatives as well as the evaluation of the overall presentation of the consolidated financial statements and the management report of the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any objections.

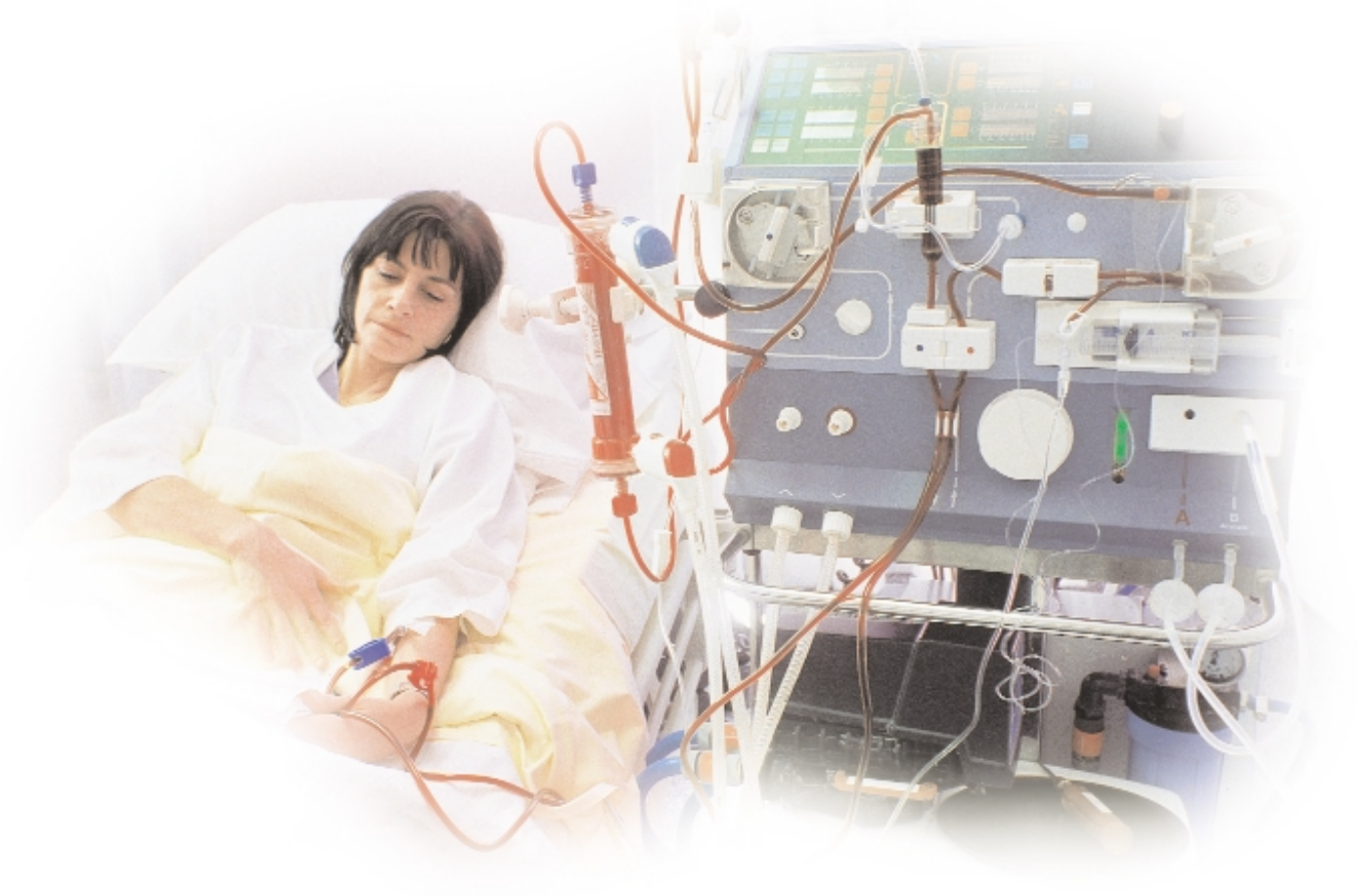
In our opinion, the consolidated financial statements present a true and fair view of the assets, liabilities, financial position and profit or loss of the Biotest Group with due regard to the principles of orderly accounting. On the whole, the management report of the Group gives a true representation of the Group's situation and a true view of the risks regarding the future development.

Frankfurt/Main, May 5, 2000

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Laubach	Graf-Herr
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Chartered Accountant)	(German Chartered Accountant)

Report of the Supervisory Board



Infections and contaminations are a threat to life and may destroy high-quality products. Biotest offers protection by means of a wide product range of infectious disease diagnostics and hygiene monitoring products and, in the case of sepsis, helps to reduce the death rate significantly with an antibody preparation.

Report of the Supervisory Board

The Supervisory Board has regularly monitored the work of and has rendered advisory services to the Board of Managing Directors.

The Supervisory Board was kept informed in five meetings by reports from the Board of Managing Directors, both in writing and verbally, on the company's current situation and on measures for the improvement of future profitability. The Chairman of the Supervisory Board and the Board of Managing Directors, in particular, regularly discussed business matters and took votes on such matters.

The Supervisory Board received detailed information on the current situation and future structure of the three divisions as well as on scheduled projects of the three divisions and entered into attentive discussions with the Board of Managing Directors. This was in particular true for all measures implemented by the Board of Managing Directors in order to achieve a positive future development. All decisions were made unanimously by the Supervisory Board.

The Supervisory Board has held extensive discussions with the Board of Managing Directors, the auditor and the tax consultant on the set of financial statements for Biotest AG and the Group. The auditor reported on the result of his audit in this meeting.

The two large-scale projects "sterile final fill" and "new fractionation process" were discussed in detail with the Board of Managing Directors and jointly approved in the end, as they are of decisive importance to the future development of the company.

Furthermore some acquisition opportunities were conferred with the Supervisory Board in the course of the year. Unfortunately, the company was not able to successfully complete all possibilities discussed.

Against the backdrop of the economic situation and the increase in future profitability, planning of the Group was discussed in detail and approved with the focal point being on 2000 and 2001.

The Supervisory Board comprises two committees. In addition to the regular Supervisory Board Meetings, the General Committee met five times with the Board of Managing Directors; the main issues on these meetings were acquisition opportunities and investments. The Balance Sheet Committee held two additional meetings, one focussing on the 1998 result and one on entrusting the auditor with the audit of the financial statements of the 1999 financial year.

The company's Advisory Board met twice in 1998. At these meetings, the current situation, planned projects as well as the strategic realignment were discussed.

Accountancy, financial statements and consolidated financial statements, as well as the management report and group management report for the 1999 financial year were examined by KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and have been approved with an unqualified opinion. The Supervisory Board took note of the results of the audit and concurs with them. The auditor's report was presented to all members of the Supervisory Board. Upon conclusion of the auditor's audit of the set of financial statements, the consolidated financial statements and the management report no objections arise from the Supervisory Board. The financial statements are thus approved. We agree with the Board of Managing Directors' proposal on the appropriation of the distributable profit.

The General Meeting of Shareholders on July 15, 1999 appointed the lawyer Mr. Eyring as successor to the lawyer Mr. Schürmann. The Supervisory Board expresses its appreciation to Mr. Schürman for his time of service on the Board and wishes Mr. Eyring much success for his future tasks.

The Supervisory Board would like to thank the Board of Managing Directors and all employees for their input and the work accomplished in the 1999 financial year, which was all but easy.

Frankfurt/Main, May 10, 2000

The Supervisory Board

Dr. Hans Schleussner
Chairman

Glossary

AB0 system	System dividing blood types into the three main groups, A, B and 0.
Aids	Acquired Immunodeficiency Syndrome – breakdown of the immune system caused by HIV (Human Immunodeficiency Virus).
Antigen/antibody	Antibodies are substances which are produced by the body to defend against attack by a foreign invading substance, the Antigen.
ATG	Antithymocyteglobulin for the treatment of rejection reactions following transplantations.
ATP	Adenosine triphosphate: the energy carrier of every living human cell.
Automated liquid handling system	Instrument for automatically pipetting reagents and samples.
Bioluminescence test	Rapid test for demonstrating the presence of ATP through light generation.
Chromosome	Thread-like structures in the nucleus of a cell which can only be seen as separate structures immediately before cell division, when they are divided evenly between the two new cells. They carry the genetic information in the form of genes.
Contact slides	Flexible culture medium supports for the microbiological monitoring of surfaces.
contaminated/contamination	(lat.: contaminare – to soil), Soiling, poisoning, polluting, collective term for the introduction of unwanted micro-organisms.
CP procedure	Biotest's new procedure for a gentle purification of immunoglobulins.
Cross-Matching	Testing of serological compatibility between donor and recipient blood or tissue before a blood transfusion or transplant operation.
Cytomegalovirus	Belongs to the herpes group of viruses and is normally not of risk. It can, however, present a much-feared complication for patients with a weakened immune system.
EBV	Epstein-Barr virus, belongs to the herpes group of viruses and is widespread. Causes infectious mononucleosis.
Enzyme immunoassay test	An immunological test which uses enzymes to demonstrate the reaction between an antigen and an antibody.

FH procedure	New fractioning procedure with higher yields.
F VIII	Factor VIII for the treatment of hemophilia patients.
F IX	Factor IX, similar to factor VIII for the treatment of coagulation disorders.
HA	Human albumin
HLA	Human lymphocyte antigens/ characteristics on human tissue.
Hybridoma cells	Cells which produce a specific antibody and can be replicated as often as desired. They result from the fusion of an immune cell that is specific for the production of a certain antibody with an immortal cancer cell.
IgM/Immunoglobulin	Protein molecules which make up part of the body's immune system.
Immune system	The sum total of all factors which are responsible for the body's defence against infection and invading foreign substances.
Infectious disease diagnostics	The sum total of all methods used to detect and diagnose infectious diseases.
Legionella	Agents causing serious pneumonia.
Legionnaires' disease	Serious lung disease first described in 1976. After a reunion of American war veterans in the summer of 1976 in Philadelphia, 180 persons fell ill to the disease and 29 died.
MAB	Monoclonal antibodies, obtained through fermentation of hybridoma cells.
Micro-Organisms	Bacteria and fungi as well as other single-celled organisms. Viruses are often mistakenly included.
Micro plates	Standardised plastic plates containing an array of wells in which reactions for diagnostic tests can be performed.
Monoclonal antibodies	Antibodies which can be traced back to one single originator cell and which bind specifically to one particular foreign substance (antigen). They are produced with the help of hybridoma cells.

PEI	Paul-Ehrlich-Institut/Registration authority for biological products in Germany.
Plasma	The clear yellow liquid which remains after separating all cell material from the blood. It contains soluble protein substances and salts.
Pneumococcus	The infectious agent which causes pneumonia.
Polyclonal test sera	Human or animal serum containing numerous different antibodies with varying specificities.
Rejection reaction	The immune system of a transplanted patient recognises the transplanted organ as foreign tissue and rejects it.
Rhesus factor	A surface protein found on human red blood cells. As it is present in only 85 % of the European population, it must be given particular consideration in blood transfusions and pregnancy on account of its high sensitisation effect (ability to induce the production of antibodies).
Salmonella	Bacteria which reside in the intestine.
Sepsis	Blood poisoning.
Stem cells	Precursor cells from which all blood cells derive.
Thrombocytes	The smallest cells in blood, also known as platelets, which play an important part in blood coagulation.
Toxins	Water-soluble toxic substances from bacteria, plants and animals with a specific effect.
Tuberculosis	World-wide bacterial infections disease which takes a chronic course and has a preference for the respiratory organs, but can attack all organs.
Varicella zoster virus	Virus belonging to the herpes group which causes the symptoms of chicken pox (varicells) on first infection and remains life-long in the body. If it is reactivated, it causes shingles (zoster).
Viral inactivation	Preparations made from human blood always present a risk of transmission of viral infections. For this reason, inactivation methods have been developed to reduce this risk without harming the sensitive proteins.
Virus diagnostics	The sum total of all diagnostic tests used to ascertain a viral infection.